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CONSTRUCTION, CONSTRUCTION MACHINERY, AND BUILDING MATERIAL

CAPITAL CONSTRUCTION, STATISTICS DISCUSSED

Moscow VESTNIK STATISTIKI in Russian No 11, Nov 79 pp 20-29

[Article by A. Belyakov: "An Improvement of Capital Construction and the Tasks of Statistics"]

[Text] The party and the government are constantly devoting great attention to capital construction; an enormous construction program has been developed in the country. Suffice it to say that during three and a half years of the current five-year plan 425 billion rubles were invested in the economy; the amount of fixed capital which was put into operation came to almost 370 billion rubles, which is 31 percent more than during the corresponding period of the Ninth Five-Year Plan.

Around 800 large industrial enterprises have gone into operation, including the Kursk, Chernobyl', and Armyansk Atomic Electric Power Stations, the Sayano-Shushensk Hydroelectric Power Station, the Lisichansk and Pavlodar Petroleum Refining Plants, the Kama Motor Vehicle Plant, the Novospasskiy and Navoi Cement Plants, a wool spinning factory in Krivoy Rog, new porcelain plants, garment factories, large meat combines in the cities of Lipetsk, Zhitomir, and Volgodonsk, and many others.

New main petroleum and gas pipelines with a total length of more than 26,000 kilometers have been laid. The construction of the Baykal-Amur Main Line is being performed successfully. More than 2.7 million hectares of irrigated and 2.5 million hectares of drained lands have been put into operation on the basis of state and kolkhoz monies.

Housing construction is being carried out on a large scale. Housing with a total area of 355,100,000 square meters, or around 7 million well-built apartments, has been built.

At the same time, the serious shortcomings in construction which were mentioned at the November (1978) Plenum of the CC CPSU have not yet

been eradicated. The most important of them are the continuing increase in incompleted construction and the dispersion of funds among numerous construction sites and projects, and, as a consequence of this, the delaying of construction schedules and the failure to fulfill the assignments of the five-year plan for the commissioning of a number of very important production capacities and non-production facilities; and the effectiveness of capital investments is not sufficient.

The decree of the CC CPSU and USSR Council of Ministers "On Improving Planning and Strenthening the Influence of the Managerial Mechanism on Increasing Production Efficiency and Improving the Quality of Work" devotes a great deal of attention to the planning of capital construction. Emphasis is given to the increasing role of five-year planning which is of paramount importance for improving the management of the economy, and, especially, for a proper organization of capital construction. The five-year plan has to be the basic planning document for all of the sectors of construction; the attention of planning and managerial agencies is called to increasing the stability of capital construction plans and to balancing them against the other sections of the state plan.

In this connection, there is a growth in the importance of statistical work in controlling the course of the fulfillment of the five-year plans for capital investments and of the commissioning of capacities in the production and non-production spheres. It is now important for the state statistical agencies to ensure constant supervision over the branch and territorial distribution of capital investments stipulated in the five-year plan; and to inform executive and planning agencies about the possibility of deviations from the proportions established in the plan in the development of individual branches and regions which are caused by violations of planning discipline in capital construction and the non-fulfillment of assignments on commissioning fixed capital and capacities. It would be useful for this purpose to unite the efforts of the statisticians of capital construction and of industry and also of other branches.

As a result of the planning practice which has developed, the current capital construction plans differ substantially from the five-year plans chiefly in their reflection of subsequent transfers of funds by ministries and departments to union republics in relation to the shared participation in the construction of non-production projects and in the performance by ministries of the client's service in individual production branches. A difficult problem will have to be solved with planning agencies — to ensure that the reporting contains comparable data about the fulfillment of five-year and current construction plans in the individual ministries, departments, union republic councils of ministers, and enterprises.

The plan for 1980 must already provide for an acceleration of the commissioning of capacities and facilities at previously begun construction projects, and for a sharp decrease in the amount of incompleted construction and of newly begun construction projects.

For this reason even greater importance is being acquired by the regular working up and analysis of the data of the annual reports of builders which characterize changes in the amounts of incompleted construction and its structure at enterprises, ministries, and departments, and also of the reporting in form No. 8-ks where the distribution of capital investments in plans for construction projects and facilities is reflected; it also reflects the attainment of the estimated cost of construction and of the concentration of resources at previously begun and, especially, start-up construction projects and facilities.

The introduction of electronics into the working out of reports should help with a profounder solution of these problems. At the present time the preparation has been organized of a complex of electronic treatment of the annual reports of builders and also of an analytic complex which provides for the systematic working up of data on capital construction and for supplying information which thoroughly characterizes the effectiveness of the use of capital investments in the light of the tasks which have been set.

Setting the tasks in the field of capital construction, L. I. Brezhnev said at the 25th CPSU Congress that it is necessary to change the approach to the planning and use of capital investments and to ensure that the planning of operating production and of new construction is a single whole. Capital investments have to be allocated not for new projects, but for a planned increase in output. Material and financial resources need to be directed first of all toward the reequipping and construction of operating enterprises -- to those places where it is possible to expand production capacities without new construction or with smaller specific capital expenditures. On the basis of this fundamentally new situation in the planning of capital construction, the above-cited decree determines that in the drafts of the five-year plans capital investment for the development of the branches of material production will be provided for a planned increase in the amount of output and services. This requires that summary plans for the reconstruction and reequipping of operating enterprises be made up and also that the top-priority allocation of the material resources and equipment for such work be ensured. Resources for the construction of new and the expansion of operating enterprises will be allocated if the needs of the economy for a given type of output cannot be provided for by operating enterprises through their reconstruction and reequpping. On the basis of this, Gosplan USSR has to define a ceiling on capital investments and construction and installation and contracting work for the five-year plan which is backed up by material resources. Within the limits of the assigned ceiling the ministries and departments and council of ministers of the union republics have to distribute capital investments by construction projects, guiding themselves by the planned balances and calculations which provide for a maximum use of existing production capacities and an economy of capital expenditures.

Under these conditions statistics has to actively help planning and managerial agencies to take the fullest account of the possibilities and reserves which exist at enterprises and ministries when the amounts of capital investments are determined for ensuring the necessary increase in production. It is necessary first of all to improve the information on the fulfillment of assignments which are established for enterprises and ministries to increase capacities through reequipping and reconstruction; and to demonstrate the existing possibilities for increasing the proportion of capital investments in these directions. The reporting data indicates that while during the three years of the five-year plan as a whole the proportion of capital investments for reequipping and reconstruction in the total amount of capital investments for production construction increased somewhat (from 13.4 percent in 1975 to 18.3 percent in 1978), it did not increase for individual ministries and departments.

In preparing this kind of information for a fuller analysis of the reserves which exist here it would be possible to recommend supplementing the statistical data on capital construction with the statistical materials of industry and technological progress on the level of the use of existing production capacities and the accomplishment of measures for the reequipping of enterprises and branches, and also on the effect which is obtained as a result.

The indicators of the reporting of builders (form No. 2-ks) now make it possible to make a systematic and thorough analysis of the changes in the technological structure of capital investments. According to the data of this reporting, the proportion of expenditures for equipment in the total amount of capital investments for production construction increased from 42 percent in 1975 to 45 percent in 1978.

At the same time, full use is not yet being made of the existing possibilities for increasing the proportion of the active part of the fixed capital which is put into operation and for decreasing expenditures for the performance of construction and installation work by many ministries and departments and planning organizations. They include above all an expansion of the reequipping and reconstruction of enterprises, an

increase of the proportion of the equipment which goes to replace obsolete equipment in operating shops, and also the use of plans which provide for more economical construction and planning solutions.

In order to improve work in construction it is of paramount importance that more progressive planning indicators and norms be introduced in order to stimulate the achievement by construction workers of high final results.

The system of planning and economic stimulation which is presently in operation in construction production insufficiently orients construction organizations toward achieving high final labor results since at the basis of this planning and of settlements with clients we have not enterprises and projects which are ready for operation, but intermediate work stages, especially in production construction. In essence, there is no connection between the indicators of the economic work of construction organizations and the indicators of commissioning. The total (gro'ss) amount of work is the basic value indicator. Yet, the final output of construction is fixed capital which has been put into operation.

The decree provides that beginning with the 11th Five-Year Plan the five-year and annual plans for construction ministries and departments and also for their subordinate organizations will have approved in them, in addition to the indicator for the commassioning of capacities and projects in physical terms, the indicator of the amount of commodity construction output. This indicator reflects in value terms fully complete construction and installation work to commission finished enterprises or stages of them and start-up complexes and projects.

Thus, the indicator of the amount of work of construction and installation organizations will be organically connected with the basic value indicator of capital construction -- the commissioning of fixed capital. The criterion for evaluating the fulfillment of a plan for this indicator will be, as is customary for the commissioning of fixed capital, the acceptance of enterprises and projects for operations by state commissions and the subsequent approval by deeds of acceptance in the established procedure.

A certain amount of experience in planning and evaluating the work of construction and installation organizations according to the indicators of commodity construction output has already been gained. In recent years and economic experiment has been carried out in the Ministry of Industrial Construction of Belorussia, and Ministry of Construction of Lithuania, and a number of other organizations where a new system of planning indicators and economic levers is being worked out.

An analysis of the data of the work of these organizations speaks of the advantage of the system: The amounts of incompleted construction production have decreased and the construction schedules for projects have been shortened; and the labor productivity and profits indicators have improved. In connection with the fact that the expenditures for incompleted construction are covered by bank credit, the financial situation of these organizations has improved and overdue indebtedness has decreased. There has been an increase in the amount of material rewards for punctual commissioning and in the interest of workers in the results of their work.

The experiment has shown, however, that the system of planning and economic stimulation being introduced can operate effectively only with the inclusion in the orbit of this system of all of the elements of construction production, and also of the clients and the suppliers of equipment and materials. For this reason it is determined in the decree that ministries and client departments approve the assignments for the amount of commodity construction output for their subordinate builder enterprises and organizations.

The new indicators must also be included in the statistical reporting.

It is intended that in the state reporting of contractors (form No. 1-ks) the indicator of commodity construction output will be established as the basic one, while the total (gross) amount of work is kept in the report only for information purposes. (It is necessary for determining the need for material and technical resources, the wage fund, working empital, and credit.) It is obvious that this indicator should also be retained for determining the growth rates of the amounts of work. In order to ensure the effectiveness of the new indicator and of the scaluation of the work of construction organizations in the new manner state statistical agencies will have to do a lot of work along with ministries and departments, main administrations, and territorial administrations and trusts in order to achieve reliability in the new indicator and coordinate it in the plans and reporting of contractors and builders.

Attention is called to the necessity for creating the conditions for the formation of intense and at the same time substantiated plans for commodity output. Ministries, departments, and planning organizations have to prepare a normative base and define and specify in the title list, the amounts of construction and installation work for all of the objects being commissioned not only for the planning, but also for the five-vear plan. Gosplan USSR has to prepare the appropriate methodological regulations. The quality and effectiveness of the new indicator will depend upon the success of this preparatory work. It is necessary here to overcome a certain psychological barrier — an ori ntation toward the gross which has taken shape over the years. For this purpose

the statistical and economic information on the fulfillment of plans by construction and installation organizations and ministries and departments which is directed to executive and managerial agencies has to have in the first place, along with the indicator of the commissioning of capacities and projects, the indicator of the fulfillment of the plan for the amount of commodity output as a whole and by individual clients.

The successful fulfillment of the plan of planned work will to a large extent be determined by the evenness of the distribution in the plan of the amounts of commodity output. This, in its turn, is connected with the plan schedules for the commissioning of projects. Evenness in the distribution of amounts of work will make it possible to improve the organization of construction production and labor, to shorten the schedules for the construction of projects, and to decrease the amounts of incompleted construction. Obviously, it will be necessiry to ensure statistical supervision over changes in these indicators but only at clients but also at contracting organizations.

The effectiveness of planning and the influence of economic levers on improving the final results of the work of contracting organizations — this is now one of the chief topics of economic analysis.

During the 11th Five-Year Plan it is planned to shift to planning labor productivity in construction by net output (normed) or by another indicator which more precisely reflects changes in labor expenditures in order to eliminate the negative influence of the total (gross) amount of work on the indicator of an increase in labor productivity, which will make it possible to more objectively evaluate the work results of each collective of construction workers.

Let us note that the influence of materials intensiveness on cost indicators is very great in construction. Thus, the share of material expenditures in the cost of construction and installation work reaches be percent. In addition, it flucuates sharply in individual organizations and depends upon the structure of the work and the use of various types of materials and structures.

The new indirator will be introduced gradually as the estimate and norm have is prepared and as the estimated cost of work according to net output is determined.

At the same time, it will be necessary not only to supplement capital construction statistics with new indicators and to greatly improve it, but also to decrease the amount of present reporting by eliminating these topics and indicators which are now losing their importance.

The realization of the measures provided for in the decree will make it possible to increase the effectiveness of capital investments and the return on every ruble of invested resources. The basic ways of increasing efficiency are a decrease in the cost and in the time of construction an increase in the proportion of expenditures for the reconstruction and reequipping of operating enterprises, an improvement of the use of newly commissioned capacities, and a rise in the level of the profitability of enterprises. A wide use of the achievements of scientific and technological progress in planning and construction is a necessary condition for increasing the effectiveness of capital investments.

Capital construction statistics is faced especially acutely by the task of improving the methodology of the statistical study of the actual economic effectiveness of capital investments and of introducing into the practice of state statistical agencies a system of indicators which makes it possible to receive scientifically substantiated quantitative characterizations of effectiveness. This will make it possible to more deeply and more fully analyze the situation which has developed in construction and will be an important support for directive and planning agencies in making decisions in the field of capital investments.

Definite steps have already been taken in this direction. A methodology has been developed for determining actual construction schedules and for comparing them with present norms and also for determining specific capital investments. In accordance with this every year information is gathered for a large group of enterprises and projects which have been put into operation at planned capacities. Along with data on the length of construction, the receipt of data on planning schedules has been organized, which is a necessary precondition for studying the length of the entire investment cycle. Surveys of construction periods and of the cost of civil housing projects are regularly carried out.

The solution of the methodological problems of constructing indicators of actual reimbursement periods and of the coefficients of the effectiveness of capital investments at the level of individual enterprises and groups of them of the same type was a very important stage in further raising the level of statistical work on studying the actual effectiveness of capital construction. On the basis of this methodology data has been collected for a number of years on the effectiveness of capital investments in industrial enterprises, and this year for the first time similar data has been obtained for agricultural enterprises.

It will be necessary to develop a methodology for determining the indicators of the actual economic effectiveness of capital investments on the national economic level, and also on the level of union republics, branches of the economy and industry and ministries and departments.

This kind of methodology will make it possible to create a harmonious system of hierarchically intercoordinated indicators which reflect in an overall way the state of the actual economic effectiveness of capital investments which has developed in the economy.

In connection with the increased responsibility of clients and contractors and equipment and materials suppliers for the punctual commissioning of production capacities and projects, the role of day-to-day information about the course of the fulfillment of capital construction plans is becoming greater. In recent years a number of indicators and new reporting forms have been developed and introduced which make it possible to strengthen control over the course of construction and the fulfillment of the plan for commissioning fixed capital and capacities, capital investments, and also contracting work plans.

Especial attention is devoted to information about the construction of start-up projects which are of importance for the economy. Special reporting in form No. 26-ks (appendix to forms No. 2-ks)(prompt) and No. 1-ks (prompt) has been introduced for such projects. It is presented by builders and contractors and this increases their responsibility for the reliability of reporting data. The working up of these reports on computers has made it possible for the Main Computer Center of the USSR Central Statistical Administration to present the data as early as the fifth day after the reporting month.

Information on the construction of enterprises and projects on the basis of overall imported equipment and also on the basis of compensation agreements with the companies of other countries and in agreement with CEMA countries is also of great importance.

In order to strengthen the effectiveness of all of this information statistical agencies have to supplement it with a brief characterization of the reasons for the lagging of the construction of individual projects, making use of the reporting indicators which permit a deeper study of the course of the construction of the most important construction projects and supplying them with equipment, labor power, and construction components and they have to carry out periodic surveys of construction projects. It should be considered here that surveys of the reasons for the non-fulfillment of plans for the commissioning of capacities indicate serious shortcomings in supplying start-up projects with technological and energy equipment and material resources. Thus, in 1978 around 20 percent of the projects were not commissioned on schedule due to a lack of equipment or to incomplete deliveries of it. For this reason the role of statistical information on the course of the fulfillment of plans for the delivery of equipment and materials to construction and also of the reporting material balances is also becoming more important.

With regard to capital construction statistics, it is clear that it has become necessary to apply to all of the most important start-up construction projects the reporting presently in effect for chemical construction projects on the receipt, installation, and commissioning of equipment (form No. 5-ks Chemical Industry).

An increase in the responsibility of enterprises and organizations and ministries and departments for ensuring the fulfillment of the capital construction plans increases the importance of the work being carried out by state statistical agencies to ensure the reliability of reporting data. Of great importance here is the systematic performance of checks of the reporting of cailders and contractors on the commissioning of production capacities and housing and cultural objects and also of other capital construction reporting indicators, and a rise in the level and effectiveness of the checks. At the present time methodological instructions are being prepared which provide for an improvement of the quality of these checks.

Lists of new construction projects and of enterprises which are subject to reconstruction and expansion will be approved in the five-year plan. This will make it possible for state statistical agencies to better organize reporting on the course of the construction of the most important construction projects and to achieve systematic control over the fulfillment of concrete assignments for the commissioning of capacities and objects.

At the present time an experimental test is being carried out of a program for a register study of enterprises and objects under construction involving the use of computers of a single system which has been developed by the Central Statistical Administration of the Uzbek SSR joint'v with the Administration for Capital Construction Statistics and the Scientific Research Institute of the USSR Central Statistical Administration. The introduction of a register of construction projects into the practice of working up reporting by the computer system of the USSR Central Statistical Administration will ensure the receipt of diverse information about production construction projects, including the mastery of estimated cost, the amounts of stocks and incompleted operations, construction schedules, designed characteristics, and the indicators of the actual effectiveness of capital investments.

Especial importance is being acquired by the development of reporting on construction in a territorial breakdown and, in particular, reports by contracting organizations about the availability and use of their production bases in developing areas and areas of construction concentration.

During the current five-year plan lagging in the development of the construction industry in certain areas of the country is holding back the

growth rates of capital investments and is not permitting the fulfillment of planned assignments for the commissioning of new production capacities.

In 1980 it is planned that the agencies of the USSR Central Statistical Administration will carry out a one-time inventory of all construction and installation trusts and non-trust organizations. As a result, detailed data should be obtained about the level of the development of construction production by republics, krays, and oblasts, which will make it possible for planning agencies to better balance capital construction plans with the capacities of construction organizations in the 11th Five-Year Plan.

In order to improve territorial planning and the siting of productive forces summary plans of capital construction by territorial production complexes will be made up. The development of the BAM zone is named in the decree as one of the large special-purpose overall programs whose accomplishment depends to a large extent on capital construction. This territory which is adjacent to the main railroad line now being built will occupy an area which is equal to approximately one—twentieth of the entire territory of the country and will have a developed industry and agriculture. One of the large industrial projects being created here is the South Yakutsk Territorial Production Complex.

Control has to be established over the fulfillment of such plans. Correctives will have to be introduced into the present reporting on the construction of territorial production complexes so that it reflects not only the course of the fulfillment of approved summary plans, but also the punctualness of the commissioning of enterprises and objects which are a part of the complex and, especially, of the raw material and processing, animal hunsbandry, and also the transportation, housing, and cultural and domestic objects which are necessary for the overall development of an area as a whole.

As is emphasized in the decree high results can be accomplished only with the extensive introduction of the achievements of scientific and technological progress and with an increase in the mechanization of labor. At the present time a number of measures are being carried out to accelerate the overall mechanization of construction work, particularly, the production of construction machinery, mechanisms, and tools is being substantially increased.

In this connection it is becoming of considerable importance to have overall information on the level of the mechanization of construction and of the introduction of new technical measures, and also on the influence of this factor on increasing labor productivity and decreasing the number of workers employed in manual labor.

Proposals are being prepared in the USSR Central Statistical Administration on including in the annual reporting on the mechanization of work and construction indicators which characterize the number of workers employed in mechanized and manual labor and the effect obtained from mechanization.

Even greater importance is being a tributed to a regimen of economy and to reducing losses in production. A sample survey conducted by the agencies of the USSR Central Statistical Administration and of Gossnab USSR in individual trusts has shown that there is a substantial over-expenditure of metal which is connected with violations of the technology of performing work, spoilage of materials and structures, and also with redoing poor quality work.

There had been no regular information on this important matter. The data based on the reports in form No. 2-SN on enlarged indicators of materials expenditures per million rubles of construction and installation operations did not reflect, in essence, the results of the work of construction organizations on economizing materials. The statistical reporting form No. 20-SN which was approved in September of this year now makes it possible to obtain monthly information on the expenditure of materials and products in construction in comparison with production norms. It is important to ensure the introduction of this new reporting in all construction organizations and enterprises which perform construction with their own resources and also the reliability of its data.

In order to analyze the expenditure of material resources it would also be useful to use the appendix to form No. 20-SN in which construction organizations are supposed to reflect the basic reasons for an over-expenditure of materials and products, and also to carry out periodic checks directly at construction sites.

The existing reporting makes it possible to thoroughly analyze existing reserves for increasing the effectiveness of construction production, in particular, on the basis of improving the use of labor power and fixed productive capital and of decreasing non-productive losses and expenditures. Better use has to be made of this reporting and also of the reports on the quality of construction. In order to make an overall analysis of quality the data of the reports of builders and contracting organizations about the quality of objects which have been accepted for operations should be supplemented by the material of sample checks of the reliability of the reports on the commissioning of production capacities and housing and cultural and domestic objects, and also by the data of industrial statistics on the mastery of capcities at newly commissioned objects and of the reporting on the cost of construction and installation work where the amounts of losses from defective and poor quality work are reflected.

Greater attention will have to be given in analytic work to the development and deepening of cost accounting and to increasing the role of economic stimulation in achieving final construction results. In particular, to improving economic information about the development of a progressive form of cost accounting in construction -- team contracting according to the method of N. A. Zlobin. At the beginning of this year 34.5 percent of our total teams were working according to this method, but in a number of republics and oblasts where team contracting is being introduced slowly this percentage is very low.

The decree provides for measures to improve planning and estimate work in the direction of improving quality, shortening planning periods, and reducing the cost of construction. Five-year plans will be developed and approved for planning and research work and for the development of the system of the material and technical base of planning and research organizations in coordination with the capital construction plan.

It has to be admitted that too little attention is still being devoted to the preparation of statistical and economic information on these matters. At the same time, the primary reporting of these organizations was recently reviewed and supplemented by a number of new indicators which reflect the qualitative side of planning, including such indicators as the number of plans (work topics) which have been completed on schedule and ahead of schedule, the number of plans cited for their high (excellent) qualities, the number of plans returned by expert appraisal agencies for additional work, the losses and non-productive expenditures of a planning organization, the estimated cost of work to redo and change plans, and others.

It is necessary to substantially improve the analysis of this reporting by also making use of the survey materials in form No. 1-ef on planning schedules, of the reports of builders in form No. 8-ks, and of the data of the State Committee for Expert Appraisals.

Settlements between clients and planning and research organizations must now be performed for fully completed and client-accepted plans for the construction of enterprises, start-up complexes, stages, and objects. At the present time more than 60 percent of the planning and research work is paid for on the basis of this progressive form of settlement. The data of the reporting which characterizes the work of planning organizations under new conditions must also be in the field of vision of analysis.

The successful accomplishment by state statistical agencies of the tasks which follow from the decisions of the party and government on improving

planning and strengthening the influence of the managerial mechanism on increasing production efficiency and improving the quality of work will make it possible to raise capital construction statistics to a new and higher level.

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IMPROVING PLANNING, MANAGEMENT IN CONSTRUCTION

Moscow EKONOMIKA STROITEL'STVA in Russian No 10, Oct 79 pp 3-11

[Article by P. D. Podshivalenko, First Deputy Chairman of the Board of USSR Stroybank: "New Stage in Improving Planning and the Mechanism of Economic Management"]

[Text] With the level of economic development of the Soviet Union achieved at the present time, further improvement of management of the national economy is acquiring particular importance, as is emphasized in the CPSU Central Committee decree entitled "On Further Improvement of the Economic Mechanism and Tasks of Party and Government Agencies," adopted in July of this year. This is dictated by a number of factors. Decisive factors include the steadily increasing scale of production, increasingly complex economic relations, and the demands proceeding from achievements of scientific and technological progress at the present stage.

As of the beginning of 1979 fixed productive assets in the USSR were 180% larger than in 1965 and totaled 1,006 billion rubles. In recent years one large industrial enterprise has come on-stream in this country each day on the average; in less than one month's time apartment buildings are completed and ready for occupancy representing floor space sufficient for five cities with a population of 100,000 persons each. National income in this country increased by more than 50% in the period 1965-1978. Volume of capital investment in the nation's economy will total 132 billion rubles this year.

The influence of the above-enumerated factors and achieved scale of the nation's economy dictate the necessity of focusing all management and planning activities to an even greater extent on improving production efficiency and work quality, and achieving greater end results and fuller satisfaction of the public's growing collective and personal needs. It is important to achieve rational utilization of everything at the disposal of the nation's economy, to rely chiefly on intensive growth factors, and more extensively to incorporate into production the latest achievements of science and technology and advanced know-how.

The aggregate of measures for successful resolution of these matters encompasses such major problems as improvement of planning of social and economic development, acceleration of bringing on-stream facilities and plants, increased effectiveness of capital investment, strengthening of economic accountability and the role of economic instruments and incentives in ensuring fulfillment of quantitative and qualitative plan targets.

They were all reflected in the CPSU Central Committee and USSR Council of Ministers decree of July 1979 entitled "On Improving Planning and Strengthening of the Influence of the Economic Mechanism on Improving Production Efficiency and Work Quality." Both these decrees reflect consistency of implementation of the party's economic strategy elaborated at the 23d, 24th and 25th congresses taking into account the features of this country's development under conditions of mature socialism. They proceed from the resolutions of the 25th CPSU Congress, decisions of CPSU Central Committee plenums, the provisions of the new USSR Constitution, and speeches by Comrade L. I. Brezhnev.

These decrees contain an aggregate of important measures aimed at improving planning and management of the economy and at strengthening the role of the state plan with simultaneous broadening of the democratic rights of work forces. They include strengthening of economic incentive to adopt new equipment, to increase labor productivity, to improve product quality, and to rilize more efficiently capital spending and everything at the disposal of the nation's economy. Changes are being made in indices of planning and evaluating the performance of enterprises and organizations and the procedure of construction financing and credit.

New measures to improve planning and effectiveness of the economic mechanism contained in the decrees have over the course of several years been experimentally tested at many of this country's enterprises and construction organizations and have proven effective, securing improved work efficiency and quality.

Improvement in planning is provided for by establishment of a system of interlinked long-range, five-year and current plans. It includes a 20-year comprehensive scientific and technological progress program (broken down into five-year periods), the principal directions of economic and social development for 10 years into the future (two five-year plans), five-year and annual plans. After every five years, the comprehensive development program is extended by the same number of years; a like procedure has been established for the principal directions. The five-year plan, broken down by year, will serve as the principal form of direction of economic and social development. Specific comprehensive programs for major areas and regions should be ratified prior to the beginning of each five-year plan. Slated for the immediate future is elaboration of programs for economizing in fuel and metal, completion of construction of BAM [Baikal-Amur Mainline] and development of industry in the areas through which this main rail line passes, reduction in employment of manual labor, and increased production of new consumer goods.

Branch-sectorial and territorial planning should combine harmoniously. This applies in particular to Siberia and the Far East. USSR Gosplan will examine, jointly with the RSFSR Council of Ministers and interested ministries and agencies, general outlines of development and distribution of productive resources in these regions, as well as territorial-production complexes located in these regions. Principal economic and social development indices for each complex are ratified independently of the ministerial subordination of enterprises and organizations located in a region.

Annual plans concretize five-year plan targets pertaining to securing its fulfillment. Preparation of annual plans begins at production associations, enterprises and organizations. Work forces, on the basis of socialist competition and mobilization of internal reserve potential, adopt countertargets, which are coordinated with material resources and then incorporated into the annual plan. This eliminates the practice of ratifying plan indices from the attained level, which was employed in drawing up annual plans "from above" and frequently led to establishment of unrealistic targets. It is prohibited to revise annual and quarterly plans of associations, enterprises and organizations downward, below the actual fulfillment level. Persons culpable in this matter should be drawn to administrative responsibility and be deprived of wage bonuses.

The CPSU Central Committee and USSR Council of Ministers decree especially emphasizes enhancement of the role of five-year plans in planning capital construction. This is important to note because up to the present time concentration of resources on completion-targeted and determining construction projects has not been achieved in construction. In meeting capital spending targets, in some branches facilities completion targets have been only 60-80% met. Because of this, average duration of construction of production-designation facilities exceeds the standard figure.

Beginning with the 11th Five-Year Plan, the following principal capital construction plan indices will be ratified for ministries, agencies, associations, and enterprises: movement on-stream of fixed assets, production facilities and installations; state capital spending limits (maximum amounts); from the total volume of facilities on-stream and limits -- startup of facilities by retooling and renovation, and quantity of capital spending for these purposes. Plans should be balanced with material-technical, labor and financial resources, as well as with the capabilities of construction organizations, and should be stable.

Stability of plans is secured by a number of measures mandatory for clients, contractors, design and other organizations. Capital spending limits ratified in the five-year plan, for example, are not subject to reapproval in annual plans. Itemized lists for the entire period should be invariable. If lagging occurs, a construction organization must make it up the tollowing year. Corrections may be made in itemized lists only when revising designs in connection with employment of sophisticated equipment and advanced technology. Refinement of estimated cost is permitted in these cases only within the boundaries of capital spending and construction work limits ratified by the ministry for the given year.

Beginning in 1981 construction work plans can include only construction jobs for which ratified design-estimate documentation is available as of 1 July of the year preceding the plan-covered year, as well as working drawings for the year's work volume, in contrast to the date of 1 September, currently in effect. The new deadline for transmitting design-estimate documentation to construction jobs will make it possible better to elaborate measures and plans of conduct of engineer preparation for construction output and more thoroughly and promptly to prepare and draw up orders for manufacture of structures and product items, delivery of materials, etc. Orders for the manufacture and delivery of equipment will now be issued for the entire period of construction, not for 1-2 years. as is presently the practice. USSR Gossnab has been instructed to complete in 1981 changeover of construction projects included in the plan to comprehensive supply through territorial supply agencies, according to construction organization orders, in conformity with their requirements as specified by designs and estimates.

The decree specifies that planning of current production and construction should be performed as a unifted whole. Volumes of capital spending in draft five-year plans are to be specified with plan-targeted production or services volume growth. Balance sheets and calculations of utilization of existing facilities and fixed assets, consolidated plans for renovation, reviooling and calculations of requirements in capital investment and equipment should be elaborated to determine their volumes. Funds for building new and expanding existing enterprises will be allocated only in those cases where the national economy's requirements in a given product are not met with existing enterprises, taking their renovation and retooling into account. For such enterprises plans should specify priority allocation of material resources as well as the requisite capital spending and construction work limits. Thus priority is given not to new construction but to retooling and renovation, which provides the capability to put additional production capacity on-stream more quickly and with less (by 8-10%) capital investment.

USSR Gosplan must submit to the USSR Council of Ministers, at the same time as draft capital construction plans, a contract work plan broken down by elient ministries and agencies, specifying areas of concentration of construction.

The principal indicator for construction output (for a five-year plan, broken down by years) is movement on-stream of production facilities and plants, with specification of movement on-stream involving retooling and renovation. A commodity construction output volume indicator is also established as a whole and by clients. Commodity construction output is defined as the cost of construction work on enterprises, units, completion-targeted complexes and facilities turned over to the client, readied for production of goods or services.

Bringing on-stream of facilities and plants is also established for organizations performing installation of basic equipment on contract. In view

of the fact that the decree assigns performance of installation work not only to construction agencies but also to equipment-supplier machine building plants, this indicator shall be included in the plans of general equipment suppliers and the industrial ministries to which they are sub-ordinate. Adoption of delivery of complete sets of equipment and equipment installation by the supplier plants increases their incentive to achieve high end results and increases responsibility for prompt and complete supply of equipment to construction jobs.

In addition to the above, contractor organizations receive ratified targets for labor productivity growth, work force limit, total payroll, profit (and for some organizations decrease in cost of construction work), a new equipment adoption target, and volume of deliveries of material-technical resources requisite for plan fulfillment. The same indices are specified in annual plans, with concretization of targets, as well as indication of payments to and allocations from the budget.

Lists of newly-initiated construction jobs as well as lists of enterprises slated for renovation and expansion will also be elaborated in five-year plans in order to ensure continuity of operation of capital construction plans. These lists are approved: for major construction projects — by the USSR Council of Ministers; for construction projects with an estimated cost of 3 million rubles or more — by USSR ministries and agencies and union republic councils of ministers, in coordination with USSR Gosplan and the construction ministries; for construction projects with an estimated cost of less than 3 million rubles — by USSR ministries and agencies and union republic councils of ministers, with the exception of itemized lists approved by associations and enterprises.

Itemized lists of construction jobs (with targets broken down by year), invariable for the entire period of construction, are prepared on the basis of the above-mentioned lists, capital spending and construction work limits, designs and estimates, and standard figures for duration of construction. The itemized lists are ratified by the same procedure as lists of construction projects in five-year plans.

Construction volumes are broken down by year in draft itemized lists jointly with the client ministries and contractor ministries. Distribution of volumes by year should be effected in such a manner as to ensure smooth, even operations of construction organizations and establishment of jobs in progress within the plan-specified limits of the timetables for bringing facilities and plants on-stream, observing standard construction times. Banks will finance construction only if this procedure is observed.

These measures broaden the powers of contractors in planning and increase the responsibility both of clients and contractors for completing the completion-targeted jobs.

It is evident from the above that the sum total of all measures to improve capital construction planning is aimed at shortening construction time, reducing uncompleted construction, preventing scattering of capital spending among numerous construction projects, and securing stability of estimated cost. Clients and contractors bear greater responsiblity for meeting the targets for bringing facilities and plantson-stream as well as indices of plan fulfillment and appraisal of performance results pertaining to commodity construction output.

Alongside improvement in planning construction output, the CPSU Central Committee and USSR Council of Ministers decree specifies measures to improve quality and achieve prompt provision of designs and estimates to construction projects in order to improve efficiency and quality of construction. Great demands are being made on the technical level and quality of design. USSR Ministries, agencies and union republic councils of ministers have been instructed to design new, expand and renovate existing enterprises on the basis of highly-efficient production processes and employment of new equipment, ensuring at newly starting-up facilities the manufacture of product which in technical level and quality equals or surpasses the best Soviet and foreign counterparts. The intention is also to revise obsolete standards on machinery and equipment, including in the new standards, alongside other qualitative characteristics, demands which ensure reduction in the weight of product items, reduced fuel and energy consumption during pration, as well as standardization of parts, assemblies and devices.

There is to be a transition to planning equipment manufacture in an expanded variety in units of measurement which more fully reflect equipment productivity and other economic properties. Indices in tons may be employed when necessary only for purposes of calculations.

All this is an important factor in improving the technical-economic indices of enterprises and structures being designed.

In order to provide prompt supply of designs and estimates for construction, the decree specifies elaboration and ratification of five-year (with distribution by year) plans for design and surveying work, as well as development of the network and material-technical foundation of design and surveying organizations. Targets in this plan should be coordinated with the capital construction plan. One can judge the importance of this from the following facts: every year a large number of construction projects (more than 5%) are incorporated in plans in the absence of design-estimate documentation, while at the same time, due to lack of plan coordination, designs and estimates with a value of hundreds of millions of rubles lie around unutilized at design organizations.

Design organizations now must prepare designs and estimates, when duration of construction of enterprises exceeds 2 years, not for the enterprise as a whole but for its first unit. Simultaneously with construction of the first unit, designing of subsequent units is to be performed in such a manner that design-estimate documentation is ready prior to initiation of

construction of these units. Design documentation should include figures on requirements in materials, structures, and other product items. The estimated construction cost of each unit shall be approved within the limits of overall estimated cost of enterprise construction, which is specified in the TEO [Technical and Economic Substantiation]. Stable estimated prices are maintained throughout the five-year plan, which signifies stability of the basis for planning capital investment and strengthening economic accountability in construction.

It is specified that standard and custom designing of facilities and complexes shall as a rule be performed on a competitive basis, with extensive participation of highly-skilled specialists in the competition.

The decree assigns to USSR Gosstroy responsibility for implementation of a uniform technical policy in construction, improvement of design and estimate activities, improvement in quality of design, elaboration and implementation of measures to reduce construction costs, improve urban planning standards and the architectural appearance of cities and towns, industrial centers and communities.

The CPSU Central Committee and USSR Council of Ministers specified in the decree the task of further development of economic accountability on the basis of five-year plan targets and long-range economic standard figures -- wages per ruble of output, economic incentive funds, spending of profit, and other planning standard figures. This guarantees an increase in resources left at the disposal of production associations and construction organizations, depending on improvement in the end results of a conomic activities with a simultaneous increase in contributions to the budget.

Much work remains to be done to strengthen economic-accountability operating methods in associations and their gradual adoption in the industrial and construction ministries.

Evaluation of the economic activities of construction organizations and economic incentive for these organizations will be performed not on the basis of gross work volume but on results of fulfillment of targets pertaining to bringing facilities and plants on-stream, commodity construction output, labor productivity and profit growth, that is, according to concrete contribution toward improving production efficiency and product quality. Clients, design and other organizations should receive incentives only under the condition of meeting the above-enumerated indices by construction organizations, which obliges them to make every effort to promote successful performance by contractors in completing all completion-targeted jobs.

Wage bonus amounts shall be increased for bringing facilities and plants on-stream on schedule and ahead of schedule from the present 2.2% to 3% (on the average) of the estimated cost of construction work, of facilities and plants brought on-stream.

In order to accelerate retooling and renovation efforts, officials of production associations (enterprises) are empowered to approve itemized lists for these expenditures (within capital spending, construction work and materials limits), independent of the estimated cost of jobs, and to employ upward correcting factors to estimate norms, including overhead expenditures, which take into account the specific conditions of performance of work in existing shops.

The decree specifies completing in the next two to three years the forming of production associations in industry. A target has been specified for capital construction, according to which transition to a two-three level system of management is to be effected in 1979-1981. Production construction-erection associations, and trusts in certain cases, would become the principal cost-accountable production output unit.

Formation of production construction associations should secure deepening of specialization in construction. The association would as a rule comprise a complex of production subdivisions, some of which formerly operated as independent enterprises and operating entities. This creates conditions which secure not only specialization of subdivisions but also efficient coproduction corresponding to the specific features of construction output. Association subdivisions will carry out their activities on the basis of internal economic accountability.

I onomic-accountability relations are also being adopted in drafting, scientitific research, design, drafting-design, engineering and other organizations of a similar type. Transition on all jobs to a contractual basis and delivery to clients of the final product serves as one of the conditions of this.

The decree specifies measures for extensive development of the brigade form of labor organization and incentive for workers at enterprises and construction jobs. To provide reward for high-productivity labor and the contribution of each worker to the overall performance of the entire work force, and for improvement in occupational skills, brigades (brigade councils) are authorized to determine for themselves the size of bonuses and money payments, to determine socialist competition winners and the size of wage bonuses for brigade members, to nominate candidates for moral and material incentive reward, etc. This will unquestionably provide a new impetus for improvement and further adoption of the brigade contract in construction. All-out development of the brigade contract as the principal form of organization of labor and labor incentive in construction is an essential condition for consolidation of economic accountability and improvement of management of construction output.

Beginning with the 11th Five-Year Plan, production associations should shift over to economic incentive funding based on stable standard amounts, which should encourage the development of economic management initiative on the part of work forces. Fund size is differentiated by years of the five-year

plan. When associations fulfill counterplans which exceed the five-year plan year's target, contributions to the funds increase. If five-year plan targets are not met, contributions to the funds are made at lower rates. Funds can be expended only as specifically intended, while remaining fund moneys carry over to the following year and are not to be withdrawn.

The decree specifies measures to increase the incentive of work forces to speed up labor productivity growth and decrease the rate of labor turnover. These measures include the following: strengthening (on the basis of employment of long-term standard wage amounts per ruble output) of the relationship between the wages of each employee and work force as a whole and labor productivity growth, and improvement in the association's end performance results; authorization of associations to pay out from payroll economies additional amounts above and beyond the basic wages and salaries of workers and engineer-technician personnel; promotion of initiative to adopt technically-substantiated labor norms and their timely revision in the form of payment to workers of one-time bonuses from savings obtained as a result of revision of these norms; transfer of unutilized amounts saved from the payroll fund at year's end into the material incentive fund; coverage of payroll fund overexpenditure from the material incentive fund (within the limits of savings in payroll credited to this fund in the preceding year).

When determining long-term standard wage amounts per ruble of output, one should proceed from technically substantiated labor norms, ensuring that labor productivity increases more rapidly than wages. When necessary increased labor intensiveness is taken into consideration (in connection with improvement in product quality, worsening of mining-geologic conditions, etc).

Within a system of measures to strengthen and develop economic accountability of construction organizations, a prominent position is occupied by measures to improve the procedure of financing and credit in construction.

The economic responsibility of production associations, all-union (republic) associations and ministries for economic-financial performance is increasing, and at the same time they are being given greater incentive to achieve maximum effective utilization of material and financial resources. Beginning in the 11th Five-Year Plan every ministry will be assigned a stable standard profits tax differentiated by year. Profit is designated for financing capital investment, repayment of bank loans and loan interest, providing increased working capital, forming economic incentive funds, as well as other expenditures.

The absolute sum total profits contribution to the budget will be established on the basis of standard amounts specified in five-year plans. If the profits target is not met, plan-specified payments into the budget shall be made in the full amount, minus profit retained by the ministry. Ministries shall be permitted to determine profits tax standard amounts for subordinate subdivisions, taking into account the specific features of their production and their attained level of profitability.

Half of above-target profit (not including various additional amounts) shall remain at the disposal of ministries, associations, and organizations. Obtaining bank credit is provided when an organization's own funds are insufficient to finance capital investment for facilities of a production designation.

The decree also specifies measures to increase the incentive for associations (enterprises) to make better use of productive assets. The standard tax on productive assets is as a rule set at 6%. Payment for above-standard non-credit stocks of materials and equipment should be made at the expense of profit retained by the association (enterprise). State capital investment on construction of production-designation facilities should be effected continuously on the basis of itemized lists for the entire period of construction. The ratified estimate serves as a limit for this. Uninterrupted financing is achieved with the aid of credit. Many enterprises and client ministries have begun more extensively utilizing credit. Issuing of long-term credits by the USSR Stroybank in the first three years of the 10th Five-Year Plan exceeded by 140% credit granted during the same period of the Ninth Five-Year Plan. Credit indebtedness reached 26 billion rubles.

The decree specifies completing in 1981 adoption of settlement of accounts between clients and contractors for enterprises, completion-targeted complexes, units and facilities ready to produce goods and services, on which construction is fully completed and which have been turned over to the client. Payment will be made on the basis of the estimated value of commodity construction output. At the present time settlement of accounts for completed facilities predominates in a number of organizations, and a check has indicated that such procedures, alongside other factors, influence acceleration of construction and turnover of capital investment.

It has been acknowledged advisable to gradually change over in certain branches to construction of facilities on credit extended by USSR Stroybank to contractor organizations in the amount of the full construction cost specified by the estimate adopted by the general contractor, turning over to the client facilities which are completely ready for operation. This credit procedure has been practically tested since 1970. Acquisition and installation of equipment would be handled by the contractor or with the assistance of specialized organizations and supplier plants. One advantage of this credit procedure is increased responsibility of contract organizations for expeditiously turning over completed facilities.

Credit for uncompleted construction output has experienced development in recent years. The amount of this credit increases as accounts become larger and intermediate payments are eliminated. In 1970 it comprised 3.2 billion rubles, and 46.2 billion in 1978. Credit for uncompleted construction output comprises 50% of total USSR Stroybank short-term loans.

Until recently the bulk of uncompleted construction output was covered by client advance payments. The advance payments have comprised almost 85% of coverage of uncompleted construction output, while credit has comprised

approximately 10%. Credit comprises only 17.3% of working capital for construction as a whole, while in industry its share exceeds 47%.

Client advance payments to contractor organizations for expenditures on uncompleted construction cease with changeover to settlement of accounts on the basis of estimated cost of commodity construction output. Up to the plan-specified facility completion time, expenditures will be covered by bank credit on client funds made available in connection with the change-over to settlement of accounts without intermediate payments. A standard amount of up to 10% of the year's volume of contract work performed by an organization with its own manpower and resources is established for expenditures on uncompleted construction output. The quota is secured with contractor organization funds available for this purpose, while the remainder is covered with bank credit. Calculations show that bank credit for uncompleted construction will reach 80-85% of standard working capital for these purposes. As a whole the percentage share of credit in construction working capital will reach and may exceed that in industry.

The decree devotes much attention to increasing the financial liability of organizations for observing contractual obligations, for on-time delivery of the required variety and quality of product, for transport, etc. Penalties stipulated by a contract for violation of the terms of a contract should mandatorily be imposed.

All this country's toilers have enthusiastically adopted the new party and government documents as decisions directed toward further increasing the economic might of the homeland and boosting the people's standard of living. Utilizing the new methods of planning and economic management, construction work forces will successfully accomplish their tasks and obligations in the time remaining in the 10th Five-Year Plan and will build a solid foundation for further improving construction in the 11th Five-Year Plan.

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CONSTRUCTION, CONSTRUCTION MACHINERY, AND BUILDING MATERIALS

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PLANNING LABOR INDICATORS FOR SPECIALIZED SECTIONS

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[Article by Engineer G. Ya. Vecherskiy; "Planning Labor Indicators for Specialized Sections"]

[Text] In conformity with the CPSU Central Committee and USSR Council of Ministers decree entitled "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Improving Production Efficiency and Work Quality," measures should be carried out in the construction section which ensure a gradual transition in the llth Five-Year Plan to planning labor productivity in construction organizations on the basis of net output (normative) or other indicator which more precisely reflects changes in labor outlays, and payroll fund by a standard amount per ruble output according to the indicator employed for planning labor productivity. The authors of the articles published below present the results of their search in this area.

Following are principal indices plan-targeted for construction sections under the new conditions of planning and economic incentive: volume of construction and installation work by completion-targeted facilities and job stages; output per worker; payroll fund, and total number of workers. Total construction volume, also plan-targeted for sections, is considered a calculated indicator. Total volume of completed construction and installation work, however, determines many indices of an organization's production-economic activities, including overhead expenditures, payroll fund, job cost, estimated cost of finished construction product, and profit. In connection with this the total construction volume indicator does not lose its significance under the new conditions of management, while for construction sections it is for all practical purposes a performance reporting indicator, alongside sale of finished construction output and output per worker.

Practical experience indicates that the level of fulfillment of labor indices by lower-level subdivisions depends in large measure on quality of planning and employment of scientifically substantiated methods and

standard amounts enabling one to determine most optimally plan targets, ensuring efficient utilization of labor and material-technical resources. The higher organization assigns plan indices to its subordinate subdivisions, and the latter to lower-level production sections. With this method the principal base is the achieved level in the base period, which cannot be called scientifically substantiated. This method engenders "profitable" and "unprofitable" jobs and the endeavor to perform for the most part materials-incentive work volumes, which leads to scattering of labor and material-technical resources among jobs which are not completion-targeted.

Many specialized organizations of Glavzapstroy of USSR Minstroy [Ministry of Construction], Glavleningradstroy and other organizations which do plumbing and pipe fitting have achieved a high output -- more than 20,000 rubles per worker per year (1977 performance), and therefore further targeting of output growth beyond the achieved level of course requires convincing substantiations and proof.

It is impossible to target labor indices for specialized sections (in contrast to general construction) on the basis of physical work volume, due to the large number of different jobs on which work must be performed, many types of jobs and structural components. Proposed standard quarterly planning journals for separate structural components have not been widely employed. Filling in these journals by job codes and calculation of summary indices boils down essentially to copying estimated job volumes and takes considerable time on the part of line engineer-technician personnel and planning division people. Planning of labor indices by achieved level involves considerable miscalculations due to substantial structural changes in the labor and materials requirements of jobs contained in the job plans of specialized sections.

We propose a method of planning labor indices for construction sections which perform plumbing and tipe fitting, the principal provisions of which are presented below. The method is based on determination of specific (normative) labor outlays and wages per thousand rubles estimated cost of individual types of jobs, as well as output per worker employed on construction-installation jobs, with revision of plan-specified targets according to achieved and targeted indices of the organizational-technical level of job performance.

Indices were elaborated on the basis of costing labor outlays and wages, which were checked repeatedly (over a period of five to six years) on jobs in progress. Practical experience indicates that there do not occur any substantial changes in the course of five to six years in the composition of principal types of plumbing and pipe fitting which would require revision of specific quetas, and therefore in our opinion the proposed method can also be employed for long-range planning.

Planning by specific labor quotas places the work of production sections under equal labor-requirements conditions and eliminates the influence of the cost of materials on performance evaluation, and consequently division of jobs into "profitable" and "unprofitable."

With the proposed method of planning, the following conditions should be observed for all construction sections:

specific (normative) labor requirements in man-days, multiplied by daily output per worker in rubles, is a constant value for each type of job and for a given construction section;

specific (normative) labor requirements in man-days can be obtained by dividing specific worker wages by average daily worker wages both for separate types of jobs and for the section as a whole.

Violation of these conditions leads to a disproportion between quantity of labor (labor requirements), volume of work performed, quantity of disbursed wages, number of workers, and actual output for the period under review.

Interrelationships among a number of labor indices for the production section follow from the above conditions. In particular:

output per worker per day in rubles is obtained by dividing work volume by total labor requirements in man-days;

labor requirements in man-days, divided by the length of the plan (performance report) period, determines the number of workers employed in performing construction work;

the section payroll fund for a quarter, in rubles, is determined as the sum of the products of specific worker wages times volume of construction work for each type of job, in rubles;

quarterly output per worker, in rubles, is obtained by multiplying output per worker per day, in rubles, by the number of work days in the quarter;

the coefficient of job labor requirements is obtained by dividing the labor requirements of one type of job in man-days by the labor requirements of another type of job; the coefficient of worker average wages is determined in like manner, but for average worker wages;

payroll fund and work force size are directly related to the coefficient of job labor requirements;

output per worker is in an inverse relationship with the coefficient of job labor requirements, while payroll fund is directly dependent on it, just as the coefficient of average worker wage.

For ease of calculation it is recommended that section plan targets be recorded on a specially-prepared practical planning chart for Jabor indices and outlays on performance of construction work. The chart (see Table 1) lists all types of principal and concomitant jobs for the quarter, specific quotas for labor and materials expenditures, wages and

output per worker, volumes of construction work for separate projects and types of jobs, as well as their duration. One prepares separately as a supplement to the chart indices planning tables for the organizational-technical measures plan, job mechanization and expenditures on operation of construction equipment, and sale of construction output (installation and job stage completion plan). These tables are not contained in this article.

Table 1

Cat-	Type of Job		ic Quota	38	Plan-	Total Indices by Type of Job,					
ego- ries		by Job Labor Out- lays Per Thous- and Rubles of Work, Man- Days	Type Wages Per Thous- and Rubles of Con- struc- tion Work, Rubles	Worle- er Per Day, Rubles	Con- struc- tion,	for Q Labor Out- lays, Man- Days	warter Wages, Rubles	put,	Num- ber of Work- ers	Dura- tion of Job, Days	
1	2	3	4	5	6	7	8	9	10	11	
1	Interior work in large- panel build- ings with standardized plumbing facility units Including:	12.6	59	79.4							
	heating water pipe installa- tion	21 20	96 94	47.6 50	5	105	480 282	2999 3150	5	21 20	
	waste lines bathroom fixtures	12.2	60 30	82 200							
	gas line	17.5	88	57.1							
	fitting installa- tion of plumbing facility units	2.5	14	400	10	25	140	25.200	5	5	

Table 1 (cont'd)

1 2	2	13	4	5	6	7	8	9	10	11
	Interior lobs in brick buildings, training and technical buildings including:									
	heating water pipe in-	21.5 20.6	100 97.5	46.5 48.5	5 2	108 41	500 198	29 30 3055	5	22 14
	stallation water lines bathroom fix-	13.5 7.2	65 40.3	74.1 139						
	tures gas lines	18.1	94	55.5						
	Exterior water pipe plumbing:									
	including trench dig-	19.3	94	51.8						
	ging in predug ditches	18	75	55.6						
	Heat lines of factory- insulated									
	steel pipe: laid above ground with installation of reinforced concrete sup-	14.6	65	68						
	ports laying on in- place sup- ports	14.5	62	69	30	435	1860	4347	7	62
	channelless laying, in- cluding	15.3	64	65.4						
	ditching laying in predug ditches	14	61	71.4						
	channel lay- ing, with installation of reinforced concrete channels	13.5	59	74.1						
				30						

Table 1 (cont'd)

2	3	4	5	6	7 1	8	9	10	
Heat lines with on-site insulation: above-ground installation, including reinforced concrete supports	19	100	52.6						
installations on preerected sup- ports	20	103	50	3	60	306	3150	3	
channel laying, with installa- tion of rein- forced concrete channels	18.4	98	54.3						
laying in prein- stalled channels	19.6	104	51						ı
Exterior gas line laid in predug ditches	19.5	96	51.3						
Exterior pressur- ized sewer line: including ditch- ing	19.7	95	50.7						
in predug ditches low-pressure boiler rooms, boiler and heat	18.3 17.8		54.6 56.2	25	445	2125	2541	9	
facilities, pump houses of that, equip- ment included in the performed	10	45	100						
work volume Ventilation and air conditioning systems	20	95	50						
including: ducts of black steel	20.9	105	47.8						l
ducts of gal- vanized steel	18.7	98.6	53.5						l
of that, ven- tilation equip- ment included in performed work volume	8.2	36.7	122	2	16	73	7686	2	

Table 1 (cont'd)

1	2	3	4	5	6	7	8	9	10	11
0	Renovation of low- pressure boiler rooms, boiler and heat facilities, pump houses		90	46.9	15	821	1350	2955	7	41
1	Total Additions for: winter working conditions, by items, 92 soil category by items, area factor other working conditions, by items	16.2		61.9	100	1616	7311 658	3899	26	63
2	Total average progressive indices Correction to labor indices due to deviation of influencing factors from average level: columns 7, 8, 9, 10	17.6	79.7	56.8	100	1761 +56	7969 +255	3578	28	63
3	Wage bonus fund						+1434		1	
4	Foreman's bonus fund 3%		,				+239			
	Total plan in- dices	18.2	98.9	55	100	1817	9897	3462	29	63

Notes: 1. When laying exterior pipes together with ditch excavation, one should add to overall labor expenditures and wages an average factor for wet soil -- 1.15, and for frozen ground -- 1.25.

2. Table 2 contains calculation of growth (decrease) of output and labor expenditures.

Calculation of correction to labor indices (Table 1, Item 12) is based on consideration of specific quotas elaborated on the basis of the achieved organizational-technical level of work performance, characterized by average indices values contained in Table 2, and planning of their further development as principal factors influencing output growth, and consequently decrease in specific outlays of labor, wages, and number of workers. The influence of the factors specified in Table 2 on change in output was established with the aid of regression analysis.

Table 2.

Description and Designation Per- of Organizational-Technical cen- Level Indicators (Factors) tage of Pre- fabr cati	Per- cen- tage of Pre- fabri- cation	Power- Level Worker of Ratio, Utili kw of catio of Equip	Level of Utili- zation of Equip- ment Time, X		Level of Utili- zation of Worker's Time, Z	Level Leve of of Utili- Adop zation tion of Worker Bri- Skills, gade % Con- trac %		Rate of Laber Turn-over.	fil- cient of Job Struc- ture,	
Average indicators level adopted in elaborating quotas	52.2	7.3	28	86.7	79	64.7	10.2	18.5	06	1.5
Quarter indicators targeted 52.2 for a section	52.2	7.3	29	06	99	8.96	0	6.5	82.8	1.5
Targeted indicators devia- tions from average level, %	0	0	1	3.3	2	1.8	-10.2	-13.5	œ	0
Coefficients of relation- ship between output and factors	1.04	0.15	4.1	0.58	2.54	0.16	2.36	-0.34	-0.66	1.05
Factor-by-factor corrections to output	0	0	4.1	1.91	5.08	0.29	-24	4.08	5.28	0

Note: 1. Output increase (decrease) is equal to the algebraic sum of factor-by-factor corrections,

2. Decrease (increase) in labor outlays, number of workers and worker wages (excluding bonus fund) is determined in this example on the average by a value of 3.2%.

The basic purpose of Table 2 is to determine change in output as a result of plan-targeted change in the numerical values of influencing factors, taking into account elaborated organizational-technical measures of the current year and indices achieved from their implementation in the base period.

The correction to output in Table 1 proved negative as a result of the fact that the brigade contract is not employed in the section in the plan-covered period, although other indices for this section are somewhat higher than average-level indices.

Indices for degree of prefabrication and efficiency innovation work are determined on the basis of statistical report figures. In determining the power-worker ratio one should also take into account the power output of construction equipment brought in for operation in this section. Evenness of pace of construction work is calculated as an arithmetical mean and by the root-mean-square deviation formula. Level of utilization of worker skills is determined by the ratio of average worker categories and jobs performed in the given section. Brigade contract adoption and efficiency innovation work indices are determined as percentage shares of volume of work performed by contract brigades, and economic effect from adoption of efficiency innovation suggestions in the total volume of construction work performed.

The job structure coefficient is defined as the ratio of average specific labor requirements of jobs performed by the section to average labor requirements determined for a number of organizations of the same specialization configuration per thousand rubles estimated cost. For plumbing work average specific labor requirements of 21.5 man-days are adopted in the calculation. In our example (Table 1) the job structure coefficient is 82% (17.6:21.5).

Planning of indices affecting output increase for production sections and construction administrations requires that job superintendents and other officials more closely monitor execution and recording of these indices, which determine the existing organizational-technical level of a construction organization.

The above-examined method substantially simplifies elaboration and substantiation of plan indices and enables job superintendents and construction administration officials correctly to compare plan-specified labor outlays with available labor resources, more efficiently to utilize worker brigades, and closely to monitor duration of performance of individual job types and complexes.

The proposed method and elaborated standard figures for shaping construction targets free engineer-technician personnel from the job of calculating labor outlays and duration of work performance when setting up network schedules, work organization plans and work plans. This method and these

quotas can be successfully utilized in organizing work on a brigade contract; a systems approach in planning is ensured; performance of economic analysis of production-economic activities of organizations and their subdivisions is simplified; the possibility of planning jobs with employment of computers is provided.

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CSO: 1821

CONSTRUCTION, CONSTRUCTION MACHINERY, AND BUILDING MATERIALS

UDC: 69.003:658.32

RELATION BETWEEN JOB STRUCTURE, PAYROLL ANALYZED

Moscow EKONOMIKA STROITEL'STVA in Russian No 10, Oct 79 pp 44-46

[Article by V. A. Gassul', chief technologist of Trust No 42, USSR Ministry of Construction Glavzapstroy: "Influence of Structure of Jobs on Percentage Share of Worker Wage Fund"]

[Text] When planning, the payroll fund for each construction organization should be determined in relation to the structure of construction jobs performed. At the present time, however, there are no standard figures with the aid of which one can take into account the job structure with sufficient accuracy. This fact is leading to a situation where the technical-economic work performance indicator of construction organizations is frequently planned in a subjective matter.

For example, as a rule a trust distributes the plan-specified payroll fund among subordinate administrations (SU [Construction Administrations] and SMU [Construction and Installation Administrations]), taking into account, alongside the job structure, the level of organization of their output. And this leads to a situation where, with one and the same job structure, and all other conditions being equal (supply of materials, semifinished items, equipment, etc), administrations (SU and SMU) with a lower level of production preparation and poor monitoring of wage disbursement have a larger payroll. SU and SMU in turn repeat the same error in respect to subordinate sections.

In order to eliminate these deficiencies, the standards research station (NIS) of Trust No 42 of Glavzapstroy has drafted recommendations for determining standard percentage share of payroll fund in relation to job structure for organizations performing plumbing, pipe fitting and certain other jobs.

In drawing up these recommendations they utilized statistics on job volumes and expended wages in the organizations of Trust No 42 of Glavzapstroy for 1975-1978. The obtained results are summarized in tables by type of construction and kind of job.

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Key:

Heating Water

Sewer

Ventilation

Heat distribution

Industrial process piping Gas supply 8

Hearing boiler facilities Average value 10.

All types of jobs, excluding All types of jobs

of construction and installashare of wage fund in volume Average value of percentage ventilation 13.

tion work, %

Factor

Sociocultural-services Industrial 16.

Rural

Housing (building-construction

Average value for trust combine) 19.

tilation) has been assigned a value roll fund in volume of construction and installation work (7.6% -- ven-Note: In calculating factors, the smallest percentage share of payExpended payroll would be determined on the basis of prior-prepared costings, which include principal and auxiliary jobs on construction projects specified by the job performance procedures existing in the trust, taking into account their attained level of industrialization and quality of utilized materials and semifinished items. Additional payments above and beyond costings would not be included in the calculation, since they were not dependent on the job structure. This made it possible to determine standard percentage share of payroll fund in relation to job structure.

Recommendations were drawn up in the following sequence. Estimated cost and worker wages on the basis of costing would be selected for all target construction jobs and each type of job. A consolidated table would be prepared for each construction administration, where work volume and wages would be placed in relation to types of construction by kinds of jobs. Average values of these quantities would be determined. The obtained average values for the trust would be consolidated in two tables: by types of construction and kinds of job.

A table of standard percentage share of payroll fund and factors characterizing its relationship in dependence on job structure would then be prepared.

An adduced table would be the end result of this work, a table in which standard values of the percentage share of payroll fund are presented in relationship to type of construction and kind of job. With the aid of this table one can first of all establish the basic factors which determine the structure of jobs performed by a construction organization. Usually a construction-installation organization performs at a construction site an entire aggregate of jobs, which possess a differing percentage share of labor requirements and wages in the total volume of construction and installation work. For example, plumbing and pine fitting organizations perform such jobs as installation of heating, ventilation, water piping, sewage and waste lines, heating systems, gas piping, heating boiler facilities, and industrial process piping. These types of jobs have a differing percentage share of payroll fund in their estimated cost.

studies have shown that the difference between the smallest and largest percentage share of payroll fund among the various types of jobs performed by a trust is 1.5%, which is quite appreciable when planning wage fund. Thus the types of jobs performed by construction organizations constitute the principal factor influencing the structure of jobs.

Further analysis showed that each type of job has its own microstructure, which exerts influence on the percentage share of the wage fund and labor requirements of jobs. In installation of sewage systems, for example, an important role is played by the number of plumbing fixtures per square meter of production or living space, while with installation of heating systems it is the number of heating fixtures relative to the total length of lines. It has been established that these correlations are dependent to a greater degree of the types of buildings under construction. By

comparing the percentage share of payroll fund requisite for construction of buildings of various designation erected by Trust No 42, it was possible to group these buildings into four types: industrial, sociocultural-services, agricultural, and housing. It was established thereby that the difference between the smallest and largest values of percentage share of wage fund by types of facilities is 0.5%. The obtained quantities are fairly significant, and therefore they must be taken into consideration when calculating the specific share of wage fund. Consequently types of facilities under construction are the second important factor influencing the structure of jobs.

Thus job structure must be determined in relation to type of facilities and type of construction jobs. This approach makes it possible to plan specific share of worker payroll fund at all levels, from brigade to trust.

Values of specific share of wage fund as percentages of volume of construction and installation work are substantiated normative quantities for a given construction organization in planning worker payroll, since they are determined taking into account job structure, that is, in relation to kind of jobs and type of facilities being built.

It is expedient to utilize the normative or standard payroll fund in current planning of operations of lower-level subdivisions: brigades and separate sections for substantiated calculation of the plan-specified payroll of these subdivisions. At the SU (SMU) and trust level it is advisable somewhat to consolidate calculations and utilize average values for all types of jobs. This is due to the fact that as a rule construction administrations subordinate to the trust perform all types of jobs characteristic of that trust. In this case, for example, one can assume that all organizations perform one consolidated type of job, plumbing and pip titting, for example. If a trust specializes its construction administrations by process attribute, it is advisable to utilize average values of normative payroll fund in relation to job types. In construction organizations engaged in plumbing and pipe-fitting operations, separate subdivisions specialize in installing ventilation systems. Then one can determine from the table the normative payroll fund in this situation as well.

The most typical problem in the practical activity of construction trusts is distribution of the plan-specified payroll fund among the construction administrations. The plan-specified fund is greater than normative, since it takes into account wages for workers in nonbasic production and in other operations, as well as for paid vacations, during work stoppage, travel, etc. The payroll fund for nonbasic production and other operations is stable and known in advance. It can be subtracted from the plan-specified fund, and the remainder (taking into account that payment of wages during work stoppage or travel is equally characteristic of all organizations) can be distributed among organizations in relation to the structure of the jobs

performed. In this case it is convenient to utilize the factors contained in the table, which reflect the relative relations between normative payroll fund quantities calculated for each kind of job on a specific type of installation. These factors can also be applied for consolidated calculations in distributing construction administration payroll fund among sections. Employment of these factors in a trust's practical operations makes it possible to eliminate subjectivism in planning one of the most important technical-economic indicators.

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CSO: 1821

CONSTRUCTION, CONSTRUCTION MACHINERY, AND BUILDING MATERIALS

CLARIFICATION OF DECREE ON RECIPROCAL CALCULATIONS IN CONSTRUCTION

Moseow EKONOMICHESKAYA GAZETA in Russian no. 35, 1979 p 1

[Article: "Reciprocal Calculations in Construction"]

[Text] USSR Gosstroy, in accord with USSR Stroybank and the USSR Ministry of Finance, has issued an explanation "On Reciprocal Calculations in Capital Construction during the Supplying of Customers with Materials and Products" (Decree No. 29-D)

The materials and products being supplied to the customer must correspond to the characteristics which are indicated in the approved draft documents and estimates.

The customer provides the materials and products to the constractor at the wholesale prices, which are in effect at that particular time, taking into account the expenditures for transportation, preparation, and storage provided for by the estimate. In cases where, after the draft documents and estimates have been approved, the customer still cannot furnish the capital construction with the materials and products which are provided for by the working drawings and is compelled to replace them with those which have other characteristics, thus leading to a change in costs, such a change must be coordinated with the drafting organization. The latter establishes the acceptability of the proposed change. According to what is acceptable, the corresponding changes are introduced in the working drawings at the customer's cost, and, in case of necessity, the draft documents and estimates are reapproved.

Changes in the wholesale prices on materials and products delivered by the customer which occurred after 1 July, 1967 are accounted for in the financial plans of contracting organizations in connection with the establishment of assignments with regard to lowering the production costs of construction and assembly operations.

When the replacement of materials and products brings about a change in the costs of the construction and assembly operations themselves, the estimated construction costs are made more precise, and calculations are made on a more exact estimate of the project's costs.

If the materials and products being replaced by the customer are equivalent to those which are provided for in the working drawings (i.e., the replacement does not bring about changes in other unit quotations in determining the estimated cost), then the calculations for the completed construction and assembly operations are carried out in accordance with the approved estimate.

But when the materials and products are delivered at a price which is higher than that in the estimate, the customer gives them to the contractor at the existing wholesale prices, proceeding from the characteristics of the materials and products actually being delivered, while the difference (the added expense) between the prices on the materials (or products) actually provided and those which are provided for by the draft is covered by the reserve funds set aside for unforeseen projects and outlays. Such funds are at the customer's disposal with respect to the total construction estimate or from savings with respect to other articles of this same estimate. Overhead expenses and planned accumulations are not figured into the above-mentioned difference, nor does the latter become included in the total volume of construction and assembly operations carried out.

Materials and products with a price which is lower than that in the draft are also provided by the customer at the existing wholesale prices, but the difference (the amount by which the items are less expensive) between the wholesale price pertaining at the time of the delivery of the material (or product) provided for by the draft and the wholesale price of the material (product) which is actually being delivered to the contractor is withheld at the time when the accounts are settled for construction and assembly operations which have been carried out.

2384 CSO: 1821

STROYBANK'S ROLE IN MONITORING

Moscow FINANCY SSSR in Russian No, 10, Oct 79 pp 44-45

[Article by T.P. Boyko, Deputy Chief of the Sakhalinskaya Oblast Office of USSR Stroybank: "The Bank's Role in Increasing the Efficiency of Capital Investments:]

[Text] The creation of the material - technical base of communism requires enormous capital investments. It is necessary that they be used with the maximum yield. Herein a large role has been assigned to the institutions of USSR Stroybank which are in charge of the controls over the financing of capital investments. In 1978 the plan for capital investments was fulfilled throughout Sakhalinskaya Oblast, including that for construction projects financed through the oblast office of Stroybank.

Frogressive moves in the reproduction structure of capital investments became an important characteristic of the 1978 plan. More and more funds are being invested in the modernization and technical re-equiping of existing enterprises, and this makes it possible to significantly improve the technological structure of capital investments and to obtain growth in output with the least possible outlays. Thus, out of 337 million rubles in capital investments earmarked for production-type projects, only 13h million rubles, or 40 percent, was allocated for construction of new enterprises, while the remaining portion was invested in modernization, expansion, and technical re-equiping of enterprises, as well as the support of existing capacities. And with regard to such associations as "Sakhalinugol'," "Sakhalinbumprom," "Sakhalinles," "Sakhalinmorneftegazprom," capital investments were directed only at the modernization, technical re-equiping, and support of existing capacities.

Controls over the efficiency of using allocations directed at financing capital investments begin as early as the planning stage. The November 1978 Plenum of the CPSU Central Committee noted that there were many shortcomings and unresolved problems in the planning of capital construction. The Plenum of the CPSU Central Committee pointed out the need for very strict discipline in the expenditure of labor, material, and financial resources which are

allocated for capital investments. In examining the plans for capital construction and the title lists (lists of new construction projects) for 177, the workers of the Sakhalinskaya Oblast Office of Stroybank devoted their principal attention to the concentration of capital investments in start-up construction projects and facilities to be introduced in the years 1777-1980. Correctness in utilizing allocations is controlled by the workers of the Dakhalinskaya Office at the stage of analyzing the title and intra-construction title lists.

In order to prevent the dispersal of capital investments throughout a multiplicity of facilities under construction at the same time, the office carries on a great deal of work with associations, administrations, and trusts. As a result, in 1978 alone, 17 construction projects with annual allocations of 3,693,000 rubles were excluded from the plans for capital construction and the title lists. Of these three facilities with allocations amounting to 229,000 rubles were excluded as not having provided the necessary draft documents and estimates, and 12 construction projects, with allocations of 2,020,000 rubles, as those which had been begun anew but whose capital investments had not been allocated in accordance with the norms for construction to be continued. Moreover, two construction projects which had been begun anew were excluded from the title lists in connection with the fact that the capital investments for carry-over construction projects were not allocated in accordance with the amounts provided for the entire construction period. The funds, thus freed up, were used to increase the amounts of a, ital investments by 7,376,000 rubles in 26 start-up construction projects as well as a plan for introducing capital assets.

Derious violations in the planning and distribution of capital investments throughout construction projects and facilities have been permitted by a number of associations and administrations. When time periods for construction have been set for three years, they have prolonged it for periods of five or six years. Thus, "Sakhalinugol" association, having failed to furnish carry-over projects with the funds necessary to complete them within the limits of the estimated costs, included six construction projects begun anew in the title lists for 1978. Shortcomings in construction planning and organization led to a situation whereby unfinished construction as of 1 January 1979 comprised 134 percent of the annual amount of capital investments in the association, as compared with an All-Union norm of 65 percent for the 10th Five-Year Plan, while the average construction duration time was quadruple the norm.

The following violations in the planning of capital investments were revealed in the construction projects of the "Sakhalinmorneftegazprom" association: included in the title lists were seven construction projects of production and non-production types which were begun anew and which had annual allocations of 1,675,000 rubles, estimated costs below 3 million rubles with an insufficient allocation of funds for construction projects whose terms of completion had expired. With respect to the facilities of the production type, the plan for

putting fixed capital into operation was reduced by 4.4 million rubles and the amount of unfinished construction comprised 95.6 million rubles, or 82.8 percent as of 1 January, 1979. Upon the suggestion of the Stroybank office, the plan was increased by 4.4 million rubles for introduction at one construction project without earmarking supplemental allocations and seven construction projects were excluded from the capital construction plan and the title lists in a sum total of 1,675,000 rubles.

Futting production capacities and fixed capital into operation is the end result of capital investments; it is expressed in increasing production output and in increasing the efficiency of social production. At present, it is the principal indicator of the plan for capital investment and the criterion for evaluating the activity of the contracting organizations. In connection with this, banking controls play a significant role over the execution of the construction plan in implementing the program as outlined.

In order to strengthen controls, the Sakhalinskaya Office is systematically compiling data on each start-up construction project, securing this personally by means of economic specialists. This makes it possible to solve urgent problems in an operational way and to apply effective financial and credit measures.

By investigating the construction projects and construction organizations, the bank's workers are checking out whether or not material, monetary, and labor resources are being concentrated on start-up and other very important projects, how they are being utilized, and whether or not they are being dispersed among secondary projects. Moreover, in conjunction with the customers and the contractors, they are working out measures which must ensure speeding up the introduction of production capacities and fixed capital.

In 1974, the office checked out the execution of the plan of capital investments and the putting into operation of production capacities at 264 construction projects totaling 205,749,000 rubles. The results of these checks were discussed at the sites with the supervisors of the construction projects and organizations. The measures worked out for eliminating the causes which were retarding capital development were put under controls. Subsequent investigations have verified their implementation.

For an entire year, the office applied measures of credit action to those construction organizations which were permitting lags in construction and assembly operations as well as in putting projects and fixed capital into operation. Organizations of the "Sakhlinlenstroy" Trust of the USSR Ministry of the Timber and Wood Processing Industry as well as the USSR Ministries of Power and Transport Construction were deprived of the right to utilize accounting and payment credits. The Pholmskoye Construction Administration of the "Sakhalinshakhtostroy" Trust of the USSR Ministry of Construction of Heavy Industry Enterprises, because of its non-fulfillment of the plan with regard to start-up construction projects, found itself on a special credit

system over the course of nine months in 1978. Several other organizations were also switched over to a special credit system for this same reason.

The office pays close attention to the time periods within which the contracting organizations are supposed to turn over the projects (or phases thereof) to the customers as well as the timeliness of presenting the accounts and documents for the operations which have been carried out. In cases of violations, the materials are given to bodies of the Gosarbitrazh (State Board of Arbitration). During 1978, 38 such sets of materials were so handed over with regard to 36 projects costing an estimated 16,036,000 rubles. As a result, the arbitration bodies initiated 15 cases with regard to start-up construction projects. A total of 77,600 rubles in fines was assessed.

An important role in assuring the success of projects and plans is played by the mobilization of internal assets for the financing of capital construction. On-schedule financing facilitates their successful implementation. The office systematically investigates the actions of internal resources of the accounting bodies with respect to capital investments and, in cases of necessity, grants credits to the construction projects. In 1978, the plan for the payment of these funds was fulfilled by 100.2 percent. Checks were made throughout all organizations and construction projects concerning the correctness in planning the sources of financing capital investments.

l: order to improve the controls and economic operation, we are adopting measures which will facilitate a more efficient utilization of assets, improve the quality and lower the costs of construction, increase the return on capital, the profitability of construction production, the fulfillment by every construction project and construction organization of the planned assignments approved for it with regard to the introduction of production capacities, facilities, and capital assets, the rational utilization of material-technical and labor resources, as well as the strengthening of planned and financial discipline.

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2384 CCO: 1621

CONSTRUCTION, CONSTRUCTION MACHINERY, AND BUILDING MATERIALS

CREDIT EXTENSION TO CONTRACTING ORGANIZATIONS

Moscow FINANSY SSSR in Russian No. 10, Oct 79 pp 39-43

[Article by M.P. Berezina, Chief of the Planning and Economics Division of the USSR Stroybank Administration, Candidate of Economic Sciences: "Practical Experience in Extending Credit to Contracting Organizations in order to Make Up Working Capital"]

[Text] Credit for the purpose of temporarily making up deficits in internal working capital plays an important role in the financial and accounting activities of enterprises and organizations. On the one hand, it brings working capital into accord with the normal requirements of the enterprises, and it eliminates difficulties in the process of assets circulation caused by overdue indebtedness with regard to loans and accounts of suppliers by virtue of which insufficient assets have been covered. On the other hand, it facilitates an increase in the efficiency of production, inasmuch as it stimulates the achievement of the necessary results during the established time period as well as the improvement of economic operations on the part of accounting bodies and banks. Ensuring the making up of shortages in internal working capital is becoming more purposeful, inasmuch as it is supplemented by preliminary controls by the bank—in checking out the measures necessary for reimbursing lost funds, current and subsequent—in the course of remitting shortages and returning credit.

We should also take note of the special place which this credit occupies among other loans which are being made a part of the working capital of enterprises and organizations. It belongs to the so-called open-book credits since it is not financially secured at the time of the credit extension and is guaranteed by future accumulations. From this characteristic proceeds the requirement for a meticulous analysis to be made when extending the possibilities of on-schedule amortization. All other credits make up a temporary, supplementary need in the probing capital during a transition period from one form (monetary, property), or commodity) to another. Hence as a rule, the rather brief time party of these credits, conditioned by the capacity for price turnover of losses upper which they were issued.

Credit extension for the purpose of temporarily making up shortages of working capital assure an economic organization of supplementary resources which are to be returned not upon the completion of individual stages of the circulation of funds but rather from supplementary (aside from planned) profits. As a result of this the credit is long-term in nature (as much as three years). But even with such a time period its on-schedule amortization is connected with greater difficulties and, consequently, greater "risk" for the bank. It depends upon the well-grounded quality of the measures which make it possible to obtain above-plan profits and the completeness of their implementation.

Practical experience in extending credit for the purpose of temporarily making up shortages in internal working capital shows that the positive aspects of such credit are not being fully utilized and that not all the characteristics are taken into consideration. Frequently the implementation of the decisions taken by the party and the government with regard to the procedure for making up shortages in internal working capital is approached too formally, and in the final analysis this leads to their not being carried out. A number of Stroybank's institutions have allowed serious lacunae in their work with contracting organizations which have shortages in their internal working capital. There are also other unresolved problems.

the tares in internal working capital are formed for reasons which are millimient or dependent upon the activities of the accounting bodies. It is among the former are late or incomplete financing of the norm increase in working capital and other planned expenditures, the reimbursement of plan financial losses by higher bodies, as well as their uneven deductions of working capital. Loans for the purpose of making up a shortage of funds which have originated in the accounting bodies for these reasons are not granted, but credit extensions are carried out on other types of loans on condition that the higher body presents a guarantee for the total amount in question. It must be noted that the decree of the USCF Council of Ministers duted ! April, 1967 created the conditions for the on-schedule redistribution of working capital and profits. In particular, Gosbank was given the right th grant ministries, departments, and associations credit for such a redistricution. In 1970 such a right was also obtained by USSR Stroybank. Loans for this purpose are allocated directly to the accounts of the contracting organizations and enterprises to which they are due in accordance with the financial plan. For an on-schedule withdrawal of funds accounting bodies may te granted credit for a time period of 20 days. It is issued upon the presentation of orders (dispositions) in case of a lack of funds in the impment accounts.

Asong the reasons for shortages in internal working carital which are dependent upon the accounting bodies we must point out particularly the diversion of funds from the circulation of the basic activity for purposes which were not provided for by the plan: outlays on capital construction or capital repairs in total amounts which exceed the sources of financing, expenditures not covered by special funds or targeted financing, shortages due to losses in

excess of the norms and losses caused by damage to goods and materials which have not been deducted from the balance sheet in accordance with the established procedure. In addition to the above the construction industry also has such types of internal working capital diversion as conducting work on projects which have not been provided for by the plan, have not been furnished with design documents or estimates, nor have they been accepted for financing for other reasons. Furthermore, this category also includes operations in excess of the plan with regard to public buildings and structures (administrative, scientific research, sports, spectator facilities, etc.), which are prohibited by the existing procedure.

Organizations which permit violations of financial discipline should have applied to them measures of credit action, right up to stopping credit extension for all types of loans, also including those for the purpose of temporarily making up a shortage of internal working capital. Nevertheless, some individual institutions of the bank do grant credit to such organizations, moreover, without guarantees by the higher organizations. In particular, despite the fact that the Tashkentskaya and Syrdar'inskaya Oblast Offices established the facts of extra-plan construction by the "Uzbekmetallurgstroy" and No. 7 Trusts, they were inequitably granted credits amounting to 1,200,000 and 300,000 rubles respectively for the purpose of temporarily making up shortages in their internal working capital.

The principal reasons for shortages in this capital are non-fulfillment of the plan with regard to profits (above-planfinancial losses) and above-plan expenditures being financed out of the profits. The accounting bodies are obliged to make up the funds lost for the reasons mentioned above by means of mobilizing internal resources, but during the period when they are restoring the funds (not more than three years) they may obtain credit. The work on making up the shortages of funds must be carried out under the supervision and controls of the ministries and departments. With this goal in mind the USSR Council of Ministers by a resolution dated 22 August, 1973 obligated them to establish for those enterprises and organizations which had permitted shortages of internal working capital due to not fulfilling the planned profits and the above-plan expenditures to be financed from it tasks with regard to obtaining supplementary profits by means of organizational and technical measures.

The establishment of such tasks has also been stimulated by the procedure for distributing profits. Accounting bodies which do not have such tasks cannot earmark the above-plan profits to make up a given shortage, but they do utilize for this purpose up to 30 percent of the deductions from profits for the economic-incentive funds. Nevertheless, construction ministries, departments, and main administrations do not always approve these tasks, and this in turn brings about a refusal of credit. In 1978 credit was utilized to replace 2t percent of the total shortage of internal working capital of contracting organizations which had been converted to the new system and were being serviced by the bank.

Less ite the existing procedure individual Stroybank offices have issued credit in the absence of tasks. Of the 11 trusts of the Ministry of Transfort Construction under investigation which obtained credit in 1976 for the purpose of making up shortages in internal working capital only one had been assigned a specific task with regard to supplementary profits; in 1977 the respective figures were 14 and 8, while in 1978 they were 20 and 12. Such tasks have not been established by the construction ministries of the Georgian SSR, the Istonian SSR, nor the Turkmen SSR. During the period 1977-1976 the USSR Ministry of Construction did not provide them for the Main Volga Construction Administration, the Kaliningrad Territorial Administration, the Main Western Construction Administration, and other main construction administrations. In a number of instances they were brought into being only for trusts which were applying for credit. In 1977-1978 this was also the case in the Main Western Construction Administration of the ULSE Ministry of Construction. Late establishment of tasks also occurred during the second half of the year.

Often the ministries and departments assign specific tasks with regard to suprlementary profits without sufficient grounds, and in some instances they clearly cannot be carried out. This applies to contracting organizations which do not have genuine possibilities for obtaining supplementary profits to make up shortages in internal working capital. Profits are deducted by for the economic-incentive funds in extremely limited amounts, or they at security at all. For example, the "Sevzantransspetsstroy" Trust with 1 lannel profit of 347,000 rubles for 1976 ought to have received an n conal 7. million rubles in accordance with the assigned task, but in for the total of the balance profit amounted to only 214,000 rubles. For 1 ... a total supplementary profit of 3.5 million rubles was provided for, but in fact only 91,000 rubles were received. Instead of the scheduled profits tre Gor'kovoblsel'stroy" Administration has allowed annual financial losses ranging from 1 million to 2.5 million rubles. Tasks established for the suministration of 2 million rubles for 1975 and 1.5 million rubles for 1978 were unrealistic. Hence the credit granted to the administration was amortized basically by means of expired loans.

remnertion with this the construction ministries have been seeking out will an possibilities for amortizing loans to make up shortages in internal warking capital from other sources. For example, the credit which was granted in 1977 to organizations of the Ministries of Construction of hirgids and Moldavia was completely amortized in that same year by means of tree funds from the republican budgets. Funds from main administrations which had been granted to the "Sevtransstroy" Trust in the amount of 1,900,000 rubles and to the "Ordzhonikidzetransstroy" Trust in the amount of 267,000 rubles.

irereling from the above information, it seems feasible to provide for a procedure under which organizations having a shortage in their working their an amount exceeding 30-40 percent of the annual planned profit or planned losses, sould obtain credit to make it up with the proviso that

they present a quarantee from the bodies above them. This would increase the possibility of the middle-level units of administration—the All-Union or republican construction and assembly associations—for the efficiency of the operation of the organizations included within them as well as for the groups of the measures approved by the associations with regard to reimbursing the lost funds.

And so the tasks with regard to the supplementary profits for reimbursing shortages in internal working capital must be reinforced by carefully worked-out organizational and technical measures. Their nature is defined by the causes of the shortages in internal working capital. For example, if they are caused by above-plan expenditures being financed from profits (and excess vis-a-vis the plan of payment funds to the budget, a diversion of funds to cover above-plan financial losses from the operation of housing and community services), then measures must be outlined to reduce and eliminate above-plan supplies of goods and materials as well as to improve the financial results of operating housing and community services.

Fractical experience bears witness to the fact that positive experience has been accumulated in the sphere of working out measures to disclose internal reserves of supplementary profits. Thus, within the organizations of the ULTP Ministry of Heavy and Transport Machine Building measures have been worked out by a specially created commission. Moreover, the time periods of its operation have been established, and a standard format has been proposed with an indication of the amount of introduction and the provisional yearly economic effect (in thousands of rubles) with respect to the basic plan and supplementary tasks with a distribution by years; the responsible officials are also designated.

in many of Stroybank's institutions engineering personnel are enlisted to check up on the measures being applied, and this facilitates an improvement in the controls over their groundwork. In case the unrealistic nature of the measures is established, they are returned for further work. However, it is also sometimes the case that, although the bank refuses credit for the purpose of temporarily making up a shortage of internal working capital in connection with the unrealistic nature of the measures being applied, it does, nevertheless, grant other types of loans. These are used to cover anorthomorphic in the activity of contracting organizations caused by poor management and violation of planned, financial, and draft-estimate discipline.

Frequently the measures being applied to obtain loans for the purpose of making up shortages of internal working capital are general in their nature. They are not supported by appropriate economic calculations, nor do they contain indications of the responsible officials and time periods for their promulgation. Such were the measures approved for the "Tselintranstroy" and "Zapsibtransstroy" trusts, the "Spetsstroymekhanizatsiiya" and No. 44 trusts, No. 53 of the Pskovsk Territorial Construction Administration, and others.

Often measures are approved by the trusts themselves and not by higher organizations (for example, by "Podzemstroy" and No. 3 trust of the Main Vladivostok Construction Administration, the Narva General Construction Trust, the Voronezh House-Building Combine, and others), Moreover, the following circumstance must be noted. At the present time most of the trusts are carrying out administrative-management and planned-disposition functions. Outlays from the trust's payment account are made solely to maintain its apparatus. In connection with this the credit which is extended to the trust for the temporary making up of shortages in its internal working capital is being transferred to sub-departmental organizations. However, measures with regard to supplementary profits are not always established by the latter organizations. Thus, in not a single one of the Glavzapstroy trusts checked out by the bank were the organizational and technical measures with regard to supplementary profits carried out to the primary organizations in 1977--1978. It should be said that there is now taking place an indirect extension of credit for the purpose of making up shortages of internal working capital, since loans are being granted to a trust which distributes them among organizations which are subordinate to it. Primary contracting organizations (construction administrations) are also subjects of credit extension for all other types of credit. Such credit extension is complicated by the fact that individual subdivisions of trusts, for the most part, of In In ministries (Ministry of Transport Construction, Ministry of Construction ci setroleum and Gas Industry Interprises), are scattered about several and ever union republics. hence it is not always feasible to utilize the special conditions for extending credit for the purpose of temporarily maning up a shortage of internal working carital, i.e., muarantees by the ministries and department; for organizations which have been transferred to a special system of credit extension; as a rule, the latter is acceptable for ; rimary organizations. In order to resolve the above-mentioned problem, it is necessary to speed up the conversion of the construction industry to a two- and three-unit system of administration and, accordingly, to the centralization of the trusts' economic services, as well as their conversion to accounts by means of an integrated payment account.

Measures are also approved late in case of the late completion of tasks with regard to supplementary profits. As a result of this, credit which is being granted on the basis of bookkeeping reports and balance sheets for the previous year is extended to many organizations during the second half of the year following the reporting year. For example, credit extensions were made to the "Kaztransstroy" trust in October, 1975 (based on results for 1974), to the "Ufimtransstroy" trust and the House-Building Combine (in the city of Barnaul) in Angust, 1976. All this testifies to the need to activate the economic work of the construction ministries, departments, and associations with the sub-departmental enterprises and organizations to specify resures for improving their financial-accounting activities as well as for strengthening controls on the part of the bank's institutions.

The system which has taken shape in forming sources of working capital for outlays on the unfinished production of construction and assembly operations

has conditioned a factor (specific to the construction industry) of forming a snortage of internal working capital—the under—attainment of so-called non-realized profits as compared with those provided for by the financial plan. It often happens that by virtue of this source, which comprises a fundamental portion of fixed liabilities, there is formed a significant, and sometimes even the predominant, part of the norm of contracting organizations internal working capital. As a rule, the size of the actual non-realized profit differs considerably from the planned profits because of the discrepancies in the fulfillment of the plans with regard to the volume yield of operations, their production costs, and cases of inexactness in the planning. If the size of the actual non-realized profits is higher than planned, the appropriate adjustments are made in the credit extension, and extra funds are not granted, while if it is lower, a shortage of capital arises in the contracting organization. I

I pon the request of the individual construction ministries (the USSR Ministry of Construction and the USSR Ministry of Construction of Heavy Industry interprises) Stroybank has authorized credit extension for the purpose of temporarily making up shortages of internal working capital which arise in connection with the under-attainment of non-realized profits, if they are not chased by over-fulfillment of the plan with regard to realized profits from the yield of operations. On the whole, however, this problem has not been solved for the construction industry.

In our opinion, the catogery of non-realized profits is not feasible under the present-day conditions of the development of economic reform, since it ines but stimulate the reduction of the remnant of the unfinished production of construction and assembly operations and its production costs as compared with the plan. Decreasing the sizes of non-realized profits vis-a-vis those provided for, achieved by means of over-fulfilling the plan with regard to nutting into operation and curtailing the sizes of unfinished construction production, leads in a number of cases to shortages of contracting organiza-'lons' working capital and serious financial difficulties. Thus, as a result of overfulfillment by individual trusts of Glavzapstroy of the plan with repard to the yield of construction and assembly operations for 1977 by 16.7 million rubles, there was an under-attainment of 1.4 million rubles of non-realized profits. For this reason alone Trust No. 39 of this main administration had a shortage of internal working capital in 1977--1978. Also of some importance is the fact that the application of the given indicator substantially complicates the financial operation of the contracting organizations and the technique of credit extension for unfinished production.

Increfore, we may draw the conclusion that the outlays for unfinished projection must be formed by means of sources, extended within the limits of the planned production costs. This will lead to the elimination of the category of non-realized profits. Prior to the establishment of such a precedure in cases where the actual non-realized profit is less than the planned profit it hardly makes sense to draw credit into making up short-

tages of internal working capital. The fact of the matter is that the remnants of unfinished production over the length of a year are subject to considerable variations: as a rule, their smallest amount occurs at the end of a year (accordingly so also does that of the non-realized profits), but already by the end of the first quarter they increase to approximately one-fourth, and by the end of the second and third quarters they reach their greatest amounts. In such instances we must apply financial methods to replenish the insufficient resources: revertible loans granted by the ministry and department from reserves for rendering financial aid for a time period of as much as one year, the working capital of other organizations granted by a higher organization for temporary utilization for periods up to three months, etc.²

It is time to resolve still another problem. At present the bank extends credit for the purpose of temporarily making up shortages not by means of the limit established for each organization (as in Gosbank), but by means of the over-all limit established as a whole for Stroybank institutions for payment credits and credits for other purposes. This has a number of negative aspects. In the first place, there is a lessening of the responsibility of the ministries and departments both at the stage of planning as well as in the formation of credit. In the second place, in connection with the large sizes of the loans for the purpose of temporarily making up shortages, the prolonged time periods for amortization, and the weightiness of their proportion in the limits of credit extension also being utilized In payment and accounting credits for 20-45 days, difficulties arise in the handling of this limit. For example, the proportionate weight of indebtedness with regard to loans for the purposes of making up temperary shortages of internal working capital within the total indebtedness with regard to loans, except for loans with regard to inter-sectorial credit and single-purpose loans of contracting organizations, amounted in the municipal department of the Donetsskaya Oblast Office to 58.5 percent by 1 January, 1976, to 36.6 percent by the same time in the Mytishchinskove Department of the Moscow Oblast Office, and to 81 percent by 1 January, 1970. We think that it would be feasible to specify the limit of credit extension for the surpose of tempurarily making up shortages in internal working capital directly to the ministries and departments and to introduce single-purpose limits to the bank's institutions with regard to the locations of the organizations to which credit is to be extended.

A secisive role in reintursing expended working capital and in the onliminal amortization of credit for making up such shortages is played by the reasures outlined for this purpose. In accordance with the credit agreements which have been concluded the bank and the accounting body should regularly examine how it is being carried out. The higher hodies of the accommic administration also control the fulfillment of tasks with regard to supplementary profits.

As analysis has shown, individual contracting organizations are carrying out the reasures with regard to supplementary profits, they are reimburs-

ing shortages of internal working capital, and they are amortizing the loans granted to them according to the scheduled time periods. The credit which was extended in 1977 to "Engel'skhimstroy" Trust No. 3 had a positive effect on the latter's financial-accounting activities. If in 1976 the plan for turning over projects and stages to customers was fulfilled by 96.2 percent, in 1977 it was fulfilled by 108 percent, while the plan profits were fulfilled by 74.3 and 141.4 percent respectively. The efficiency of the measures and their successful implementation were also characteristic for the "Oshstroy" Trust of the Ministry of Construction of the Kirgiz SSR, the "Novosibirskzhilstroy-II,"No. 27 of Glavmospromstroy, and others.

Mevertheless, there are quite a few facts which testify to the poor efficiency of credit extension. On the whole throughout Stroybank a fundamental source of amortizing loans made for the purpose of temporarily making up shortages of internal working capital consists of special-purpose funds which were not intended for this (e.g., supplementary and above-plan profits, a decrease in the deductions from profits earmarked for the economic-incentive funds), as well as budgetary funds or those of higher organizations, and the internal working capital of the contracting organizations themselves. Thus, of the loans which were actually amortized during 1978 almost three out of four were handled from other sources. As a result, 32 percent of the total amortized sum, or more than 40 percent of the amount of the loans amortized by funds from other sources, were carried on the accounts of expired louns. The "Tadzhikspetsstroy," "Uzbekmetallurgstroy," "Tashpromstroy," and "Uzstal'konstrustsiya" Trusts, as well as most of the trusts of the Ministry of Construc-Airn of the Georgian SSF almost completely amortized their credit by means of other sources.

The principal reason for such a situation is that unrealistic measures have heen established with regard to supplementary profits. Despite this, many of the bank's institutions not only failed to apply sanctions in the form of cutting off credit extension but actually granted credit loans for the jurgose of temporarily making up shortages of working capital. There are also serious defects in the work of the higher organs of the economic administration. Which exercised poor controls over the measures both in the stage of their approval as well as in their inplementation. When approving plan indicators, they have not always provided for supplementary profits for the purpose of anortizing carry-over indebtedness on loans. Check-ups consucte: in 1970 revealed that in the financial plans of the "Dneprotransstroy," "Vossittransstroy," "Eaztransstroy," "Altaytransstroy" Trusts, No. 46 unit 1. 53 of the Panov Territorial Administration of the UCCR Ministry of Construction, and others no provisions were made for sources of amortization with regard to loans. Changes were introduced in these plans only after ismanus were presented by the bank. In a number of instances the reserves which were revealed for making up shortages of internal working capital have teen utilized in calculation the planned profits for the following year (rosecting from the level achieved during the past year); in connection with this there is a lack of genuine sources for amortizing loans.

The shortages enumerated above must be climinated. In order to strengthen the responsibility for safeguarding internal working capital and the controls over the reimbursement of their shortages, we must, in our opinion, introduce accountability for carrying out organizational and technical measures with respect to supplementary profits to be earmarked for making up shortages in internal working capital. The bank's institutions must also establish the same kind of accountability with regard to the efficiency of credit extension for this purpose. Taking into consideration the fact that the need for this particular credit is caused by deficiencies in financial management activity, we must increase the percentage rate charged to contracting organizations for utilizing it (the present going rate is 2 percent, as it likewise is on planned, special-purpose loans). In particular, it would be feasible to extend to the construction organizations the procedure which was established by the decree of the USSR Council of Ministers, dated 22 August, 1973, for industrial enterprises, in accordance with which the percentage rate for credit for the purpose of temporarily making up shortages in internal working capital is collected in an amount which is one point higher than payment for funds. This will strengthen the economic incentives for the proper utilization of internal working capital and not permit it to be wasted. Strict controls by the financial and banking organs over the making up of shortages in internal working capital of contracting organizations will allow us to improve the state of affairs in this very important sector.

FOOTNOTES

- 1. In accordance with the directives of the UCCR Ministry of Finance, in making more precise the presence of internal working capital in the contracting organizations at the end of the reporting year we must proceed from the actual non-realized profit if the latter is less than the planned profit, and we must decrease the internal working capital by the amount of this discrepancy.
- J. If the under-attainment of non-realized profits leads to an over-fulfillment of the plan with regard to realized profits and, hence, to abovelan contributions of the freed remnant of profits to the budget, a corresponding sum must be reimbursed by the financial organ.

COFFRICAT: "Financy CCCR", 1979

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CONSTRUCTION, CONSTRUCTION MACHINERY, AND BUILDING MATERIALS

INCREASED PROFITABILITY FOR CLAY BRICK DISCUSSED

Minsk PROMYSHLENNOST' BELORUSSII in Russian No 7, 1979 pp 52-53

[Article by A. Bortnik, Candidate in Economic Sciences: "Worthy of Great Attention"]

[Text] The virtues of clay brick are generally known: great strength, long durability, and good heat protection properties. However, the growth rates of its production have been decreasing from year to year. If, for example, during the Ninth Five-Year Plan the production of clay brick increased by 23.8 percent, in the current five-year plan it is increasing by only 17.8 percent.

What is the problem here? The loss-producing nature of its production plays a role of considerable importance in reducing the growth rates of clay bricks. Let us note that these losses have been increasing year after year. For example, four years ago the losses from clay brick came to 5.8 percent, while now they have gone beyond 11 percent. In other words, in the Ministry of Construction Materials of the Belorussian SSR on the whole losses now come not to hundreds and not to thousands, but to millions of rubles. In recent years its cost has increased at almost all of the enterprises which produce clay brick.

Thus, during the last three years the cost of 1,000 bricks at the "Gomel'stroymaterialy" Association increased from 46 to 49.2 rubles, at the "Minskstroymaterialy" -- from 35.2 to 46.04 rubles, the Vitebsk KSM -- from 26 to 28 rubles, the Bobryusk Brick Plant -- from 38.8 to 42 rubles, and at the Obol'sk -- from 33.3 to 39.7 rubles. During the last three years the average cost of 1,000 clay bricks increased by almost 4 rubles. Other expenditures also increased: raw materials and materials -- by 1 percent, fuel and energy for production purposes - by 6 percent, and expenditures for servicing production and for management -- by 18 percent.

Let us analyze the expenditures for raw materials and materials in more detail. The basic reason for their increase is an increase in transportation and preparatory expenditures. Previously enterprises, as a rule,

mined clay 10 to 13 kilometers from an enterprise. Today the nearest sources of raw materials are located at a distance of 35 to 50 kilometers and more. For example, the Minsk construction materials enterprises are located at a distance of more than 60 kilometers from their basic sources of raw materials. Expenditures connected with the assignment of land plots, striping operations, and the recultivation of lands have also increased.

Now about the expenditures for fuel and energy. They represent around 24 percent of the cost of the brick. A great deal here depends upon the enterprises themselves. A is known, the level of the cost of brick is closely connected with the sount of its production. The larger the production, the lower cost of a unit of output. In its turn, the volume of production depends upon the level of its concentration. Practice has shown that enterprises which produce more than 50 million clay bricks are the most efficient from the point of view of production concentration. For this reason the process of the concentration of brick production must be accompanied by an expansion and reequipping of operating enterprises and by the introduction of new technological processes. We are speaking above all about the modernization and instruction of the preparatory and molding departments, equipping with modern equipment, the mechanization of the processes of ting the brick on the oven cars, the replacement of ring ovens with tunnel ovens, the unloading and packaging of kiln products, and the intensification of the processes of drying and kilning.

An improvement of its quality is a large reserve for increasing the profitability of brick production. Unfortunately, the quality of the brick is being improved slowly at the enterprises of the Ministry of Industrial Construction Materials Belorussian SSR. Thus, for example, last year only 78 percent of the brick had a grade of 100 and higher. At the same time, production losses increased sharply. The rejection as defective of clay brick increased from 5.2 percent in 1975 to 5.7 percent in 1978.

The basic reasons for the low quality of the brick and for its rejection as defective is the use of clay without preliminary blending and ageing, the use of additives without preliminary granulation and sifting, an imprecise dosing of the components of the charge, and too many technological gaps and openings. The steam moisturization of the mass during molding is insufficiently effective, the tunnel chamber dryers are not loaded rhythmically, the regimens for drying and kilning the brick are violated, and obsolete equipment and raw materials contaminated by lime are used. The elimination of these shortcomings and the preliminary preparation and enrichment of the raw materials is the basic way for

improving the quality of the brick, and, consequently, for increasing the profitability of its production. However, these measures alone cannot solve the problem entirely. It is also necessary to increase the interest of plants in producing brick by means of establishing a new and higher level of wholesale prices while at the same time reducing the wholesale prices for other construction materials. How, concretely, is this to be done?

In establishing the wholesale prices for brick profitability was planned in the amount of 10 percent, while for other products it was 20 percent. In fact, as we already know, this level has not been reached. Moreover, the oduction of clay brick produces losses. As a result, last year alone the enterprises of the Ministry of Industrial Construction Materials Belorussian SSR failed to receive almost 3 million rubles in profits. Due to this more than 900,000 rubles in allotments to the material incentives fund was lost, and around 700,000 rubles in contributions from profits was not put into the budget.

At the same time, many enterprises of this branch produced products whose profitability is several times higher than the normed one. For example, the "Gomel'stroymaterialy" and the "Minskstroymaterialy" Associations and the Mogilev KSM produce mineral wadding whose profitability is 33.2 percent. The wall stones made of porous silicate concrete of the Grodno KSM have a profitability of 45.3 percent, the sound insullation slabs of the Minsk Plaster Plant have a profitability of 60.3 percent, and the vorsinite which is produced by the "Gomel'stroymaterialy" Association has a profitability of 94.6 percent. There are quite a few such examples.

It we analyze this data from the point of view of the losses produced by brick, the question involuntarily arises: And why not, in fact, review the profitability of the various types of construction materials? In our opinion, there are no especial barriers here. It would probably be useful to introduce a system of so-called estimated prices while decreasing the single release price for consumers. In this case the task would be for the financial division (administration) or the Main Administration for Sales and Supply of the Ministry to have a special account for regulating the difference in the prices for the high and low profitability products of different enterprises. Settlements with them would be carried out on the basis of substantiated differentiated prices. With this approach the interests of consumers and the budget would not suffer.

According to the existing data. In order to ensure the minimum necessary profitability of 10 percent (in terms of 1978 production volumes) it to increase the estimated prices for clay brick by 3.8

million rubles. If the estimated prices for highly profitable products are reduced and the profitability is brought to the normal level of 20 percent, the total amount of the decrease in wholesale prices will come to around 5 million rubles. As we see, there are possiblities for changing prices. It is also possible to introduce differentiated estimated prices for construction materials when creating territorial construction materials production associations.

Consequently, the State Committee for Prices of the Council of Ministers of the Belorussian SSR and the Ministry of Construction Materials of the Belorussian SSR have to make a detailed analysis of the expenditure tendencies for the production of clay brick and other necessary construction materials and together with interested departments decide upon the question of reviewing the present wholesale prices. This is demanded above all by the interests of our work.

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CONSTRUCTION, CONSTRUCTION MACHINERY, AND BUILDING MATERIALS

CEMA ASBESTOS COMBINE BUILT

Moscow STROITEL'NAYA GAZETA in Russian 16 Nov 79 p 2

[Article by A. Anpilov, Deputy Minister of the USSR Construction Materials Industry, Chairman of the State Commission for the Acceptance of the First Stage of the Kiyembay Asbestos Combine: "Through Joint Efforts"]

[Text] In the east of Orenburgskaya Oblast, near the former village of Kiyembay, a new deposit of asbestos was discovered several years ago by geologists. The proven deposits of raw materials here will suffice for dozens of years of intensive exploitation. Today enormous production buildings have risen up over the steppe. One of the largest CEMA construction projects has unfolded -- the Kiyembay Asbestos Enriching Combine. Along with the Combine the workers' settlement of Yasnyy is rapidly growing in the virgin steppe.

The constantly growing demand for asbestos fiber from CEMA industry and also the necessity for substantial capital expenditures for the creation of new capacities for the production of this valuable output served as the premise for uniting the efforts of the fraternal countries to increase its extraction in the USSR. In June 1973 the CEMA member countries signed a general agreement on cooperation in building a combine in Orenburgskaya Oblast.

In accordance with the agreement, our country committed itself to develop the technical documentation for the construction of the combine and of the facilities connected with it, to allocate machinery and equipment and material, financial, and other resources in amounts corresponding to the USSR's share, to build a complex within a schedule ensuring the commissioning of its first stage in 1979, to create conditions for normal operations by the combine, and to ensure deliveries of asbestos to the partner countries. The share participation of the CEMA countries expressed itself in the delivery of machinery, equipment, metal structures, materials, and consumer goods in appropriate amounts and on agreed upon schedules. The asbestos will be delivered by the combine to the People's Republic of Bulgaria, the Hungarian People's Republic, the GDR,

the Polish People's Republic, the Socialist Republic of Romania, and the Czechoslovakian Socialist Republic in payment for credit and interest, and also in the form of ordinary exports.

The fact that the large project was put into operation within the schedule established by the general agreement is to the credit of the many collectives of the construction and installation organizations of the USSR Ministry of Heavy Construction and the USSR Ministry of Heavy Special Construction and Installation Work. The latest scientific and technical arbievements in the production of asbestos were taken into account in its planning and construction. In its technical and economic indicator: 2: A construction and design solutions the complex is at the highest 1 ve of perfection. The exploitation of the deposit is being conducted the economical open method and with the use of highly productive cransportation and mining equipment. For the first time in the asbestos industry a technology has been introduced here for blending and mixing the final products of enrichment. An overall solution has been found to the problem of dosing the ore flow, processing the intermediate components, and obtaining construction materials. The operations of packing, stacking, and loading the finished output have been fully mechanized through the use of a system of automatic machines.

closed cycle of technical water supply have been introduced. Effective air purification is employed at the enriching mill and the necessary bygeneic conditions for the combine's workers have been ensured. In preparing the technical documentation the collectives of the Uralgiproruda, the Uralmekhanobr, and other planning institutes took account of the advanced experience of operating enterprises in the branch.

The combine is located in a new uninhabited area. By the time that its first stage had been commissioned a large modern settlement had been created here, and a hospital complex, children's preschool institutions, schools, a 100,000-volume library, dining rooms, and stores had been built. A palace of culture to accomodate 800 people and a stadium are being built. The territory of Yasnyy is being beautified and green areas are being planted.

The great patriotic enthusiasm with which the thousands of construction, installation, and operations workers worked and the wide participation of all of the workers of the construction project in the pre-October socialist competition made it possible to perform a large amount of work. The success of the work was helped by the extensive use of large-block installation, the introduction of team contracting and of an automated system of network planning, and the use of progressive materials and structures. The chairman of the CEMA permanent commission on

Construction, the Minister of Construction of the GDR Comrade Junker, gave high praise to the organization of the work when he visited the construction project. A construction headquarters which has been organized by the Orenburgskaya Obkom of the CPSU is operating successfully here.

The collectives of the Kiyembay Asbestroy Trust and of subcontracting organizations fulfilled their annual plan for construction and installation work in ten months at the all-union shock komsomol construction project. The daily amount of this work sometimes reached hundreds of thousands of rubles. Great assistance was given to the contractor in speeding up the erection of the enterprise and in carrying out the complex of startup and adjusting operations and the overall testing of equipment by the collectives of operating enterprises of the asbestos industry, of the All-Union Scientific Research Institute for the Planning of Asbestos Enterprises, and of a number of other organizations of the USSR Ministry of Construction Materials. Many related ministries and departments treated the facility which was sing built with the necessary concern and attention. Equipment was delivered on time by more than 200 enterprises of 16 of the country's machine building ministries.

By the time that its first stage was started up a qualified collective of around 3,000 operations workers had taken form at the combine. It was staffed by means of transferring specialists from operating asbestos enterprises and other mining productions. Young specialists were trained in its own vocational and technical school. Newly hired workers underwent good training at the combine's "Uralasbest" and "Kustanayasbest." The punctual staffing of the Kiyembay Combine made it possible to produce non-standard equipment on the spot, to check machinery and mechanisms, and to combine their testing with giving them construction work. All of this taken together made it possible to deliver the project to the state commission with a high evaluation.

And so, the first stage of the Kiyembay Asbestos Combine with a capacity of 250,000 tons of output a year is in operation. The enterprise is producing output. However, one has to mention the difficulties without whose elimination will be difficult for the enterprise to reach the planned line of its productivity. The principle one is that the Ministry of Petroleum and Gas Industry Construction is delaying the commissioning of a 36-kilometer line from the Bukhara-Urals main gas pipeline. The combine had to be started up on reserve fuel. The delivery of equipment for the repair needs of the enterprise is being held up. The facility has not been equipped with traction units for bringing the ore from the quarry to the enriching mill. We hope that all of these incompletions will be rapidly eliminated and that the complex will begin to work at full force. This is especially important

since its work experience will be useful for commissioning next year the second stage of GOK with a capacity of 250,000 tons of high grade asbestos.

Its completion schedules have already been determined. The installation of the frame of the second stage of the enrichment building is now being completed at the startup complex and wall panels are being hung. Quite large appropriations are being appropriated for the last startup year — more than 38 million rubles of capital investments and 24 million rubles for construction and installation work. It is the duty of the Kiyembay construction workers to successfully use them and bring the combine to full capacity on precise schedule.

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CONSTRUCTION, CONSTRUCTION MACHINERY, AND BUILDING MATERIALS

NINE MONTH WORK RESULTS OF CONSTRUCTION ORGANIZATIONS

Moscow STROITEL' NAYA GAZETA in Russian 25 Nov 79 p 3

[Text] The work results of construction organizations during the nine months of 1979 at trade union construction projects cannot be called satisfactory. Of 74 republics, krays, and oblasts in which projects of the All-Union Central Council of Trade Unions are being built, only nine met their nine-month assignments.

The fulfillment of the plan is characterized by the following data, thousands of rubles.

	Contracting work planned for 1979		
TOTAL Including	204415	146920	71.9
USSR Ministry of Industrial			
Construction	43198	28340	65.6
USSR Ministry of Construction	30026	20663	69.2
USSR Ministry of Heavy Construction USSR Ministry of Rural	25140	16883	67.2
Construction	5600	2954	52.8
Main Administration for Construction in Moscow	40337	37572	93.1
Main Administration for Construction in Moskovskaya Oblast	2528	1171	46.3
Maine Administration for Construction in the		3400	10.1
City of Leningrad	4900	3408	69.6

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BRIEFS

NEW CONCRETE MIXER--The "SB-112" concrete mixer which is equipped with a special device makes it possible to produce prefabricated ferroconcrete products made of concrete mixtures which have been preliminarily heated by steam. The new technology makes it possible to shorten the time of the thermal treatment of products, to increase the transformation rate of the forms, and to decrease expenditures for the maintanence and operation of equipment. Specialists have calculated that with the introduction of 75 of these concrete mixers the economic effect will come to 6.5 million rubles. The concrete mixer which was developed by 11 - Scientific Research Institute of Ferroconcrete of Gostroy USSR, the experimental designing bureau of the Central Scientific Research institute of Structural Parts imeni Kucherenko, and the Slavyansk Plant "troymash" of the Ministry of Construction and Road Machinery in 1976 underwent state tests and was approved for series production. However, the production of the concrete mixer and the introduction of the new tichnology has been poorly organized. In 1977 and 1978 not a single unit with a set of equipment was produced. [Moscow STROITEL'NAYA GAZETA in Russian 23 Nov 79 p 3] 2959

IRRUTSK HOUSING LAC--As long as houses of the old series were being produced everything was all right. Now it is different. With an annual program of 310,000 square meters of housing, at the beginning of October only 95,000 had been commissioned in Irkutsk. A shift to the production of houses of the "135" series has been begun at the Irkutsk House Construction Combine. Many times the construction workers were let down by the ferroconcrete trust (manager V. Vlasov) which disrupted the schedule for the delivery of structures. client -- the Adminstration for Capital Construction of the City Ispolkom -- was also unable to ensure the punctual equipping of the facilities. Measures are now being taken in the city to overcome the lagging. The workers of those enterprises and organizations which have shares in the financing have been assigned to the start-up projects. In particular, the house construction combine has received around 100 people in reinforcements. It is very important to provide the houses where finishing work is being done with heat. However, judging from everything, the Irkutskpetstroy and the Vostsibsantekmontach Trusts are in no hurry. As of today only 54 of the startup objects only one-half are ready for the finishing workers. [Moscow STROITEL'NAYA GAZETA in Russian 31 Oct p 1] 2959

CONSTRUCTION LAGS--The work results of construction organizations during the nine months show that the situation at trade union construction sites has not been improving. At many projects, including start-up ones, there has been a substantial lagging in fulfilling the plan for construction and installation work. Of 74 republics, krays, and oblasts, only 8 fulfilled the plan for the 9 months. During January-September the basic contracting ministries performed as follows: the USSR Ministry of Industrial Construction -- 58.7 percent of the annual amount of construction and installation work; the USSR Ministry of Construction -- 63 percent; the USSR Ministry of Heavy Construction -- 61 percent; and the USSR Ministry of Rural Construction -- 47 percent. Especial alarm is being caused by the state of start-up projects where the commissioning schedule was already disrupted in the second quarter. They include the all-year "Yunyy Leninets" water-cure establishment of the association for specialized pioneer camps in Yevpatoriya (the Krymspetsstrov Combine of the USSR Ministry of Industrial Construction -- Chief A. Lobatsevich) and the sleeping quarters No. 12 of the "Yantarnyy Bereg" sanitorium (Kaliningradstroy Association -- Chief A. Il'in). In the third quarter a tourist hotel failed to be put into operation in Makhachkal (Dagestan Construction Administration of the USSR Ministry of Industrial Construction -- Administration Chief A. Dibirov). Unsatisfactory work is being done by the organizations of the RFSFR Ministry of Rural Construction (Minister N. Mal'tsev) at the trade union project in the non-black earth zone. The annual plan for the construction for the "Valdayskaya" Tourist Base in Novgorodskaya Oblast was fulfilled during the nine months by only 12 percent while the plan for the Nizhne-Ivkino Health Resort in Kirovskaya Oblast was fulfilled by 10 percent. [Moscow STROITEL'NAYA GAZETA in Russian 10 Oct p 1] 2959

BAKLANOV OBITUARY -- The construction materials industry of the USSR has suffered a heavy loss -- G. N. Baklanov -- the Minister of the Construction Materials Industry of the Ukrainian SSR, a Candidate Member of the CC CP of the Ukraine, and a Deputy to the Supreme Soviet of the Ukrainian SSR -- has suddenly died in his 69th year. G. N. Baklanov was born on 14 October 1911 in the village of Borisovka in Zaporozhskaya Oblast. His entire life was connected with the development of the construction materials industry. In 1926 he began his labor career as an assistant mechanic at the Amvrosiyevo Cement Plant and traversed a path leading to minister of the construction materials industry of the Ukrainian SSR. During the Great Patriotic War of 1941-1945 G. N. Baklanov was in the active army and was deputy chief of the political department of a division. The party and the government greatly valued the services of G. N. Baklanov, awarding him with the Order of Lenin, three Orders of the Red Banner of Labor, two Orders of the Red Star, and many medals. [Moscow STROITEL'NAYA GAZETA in Russian 24 Oct 79 p 4] 2959

ADVANCED CONSTRUCTION EXPERIENCE -- When the complex of measures to improve the managerial mechanism in construction was defined account was taken of the experience which has been gained by the construction organizations of Belorussia and Lithuania, and also of the results of a number of other economic experiments in capital construction. From this point of view. the book by I. K. Komarov "An Improvement of Construction Production" (1979, 208 pages) which has been published by the Construction Publishing House is of substantial interest. The book describes the essence of the Belorussian experiment and reveals the mechanism for carrying it out under which the indicator of the amount of commodity construction output became the chief one. An analysis of the experience in using this indicator is of especial interest since it has been established that the evaluation of the economic work of construction organizations and their economic stimulation will be performed henceforth not on the basis of the gross amount of work, but with regard to the fulfillment of assignments to commission production capacities and projects and with regard to commodity construction output. A separate chapter is devoted to the development of team contracting. It is emphasized that it is especially effective in improving the organization of construction production. The book examines the questions of improving the preparation and organization of construction, the relationships between construction and planning organizations, and the prerequisites for shifting to a two- and three-element system of management in the sphere of capital construction. This is supported by a large amount of factual material. [Moscow STROITEL'NAYA GAZETA in Russian No 37, Sep 70 p 10] 2959

LENINGRAD WATER SHIELD—Construction has been begun of a unique complex of hydro engineering installations on the Gulf of Finland to protect the city on the Neva from the onslaughts of water elements. The plan was developed by the Leningrad Department of the "Gidroproyekt" Institute imeni S. Ya. Zhak together with specialists from Moscow, Novosibirsk, and Khar'kov. An artificial barrier 25.4 kilometers long will block floods. The series of 35-meter wide protective dams rises above sea level to a height of eight meters. Along them there will be a 6-lane automobile road. The ship admission gates — the northern and southern ones — are designed to admit large vessels. In addition, there are six water admission structures in the protective system. When the water rises the steel shutters close the openings and block the path to the Neva. [Kishinev SOVIETSKAYA MOLDAVIA in Russian 14 Sep p 4] 2959

GOOD CONSTRUCTION IN LENINGRAD--On the average, in a single day 10 million rubles in capital investments are utilized in Leningrad and the oblast and more than two projects or production capacities are put into operation. For the 62nd anniversary of October the construction of facilities for the curtain lace association in Leningrad and of a bread plant in Lodeynoye Pole will be completed almost two months ahead of schedule. However, also developing intensively. Shuvalo-Ozerki and Kupchino, the areas north of the Murinskaya Stream and the former Komendant Airport, the Harbor, the Pine Grove, and the Right Bank of

the Neva -- all of these are new areas of the city. Now another large housing area -- Rzhevka-Porokhovyye has been added to these addresses. The setting up of the first residential buildings has only just been completed here and next in turn are 20 more. Gradually this tract will become the chief construction site of the city. In all, during the fourth year of the five-year plan 3,200,000 square meters of housing space will be commissioned in Leningrad and the oblast. This is 60,000 additional new apartments. Almost half of the construction work is being performed by the team contracting method. [Moscow IZVESTIYA in Russian 3 Nov 79 p 3] 2959

DNEPROSTROY HOUSING--Great happiness has come to the families of many Dneprostroy workers -- a new nine-story house on Borodinskaya Street has been built for them. The new house had not yet managed to admit all of its new tenants when next to it the construction of another was already begun. Soon another 100 families of the workers of Dneprostroy will celebrate moving. In all, during the current five-year plan the inhabitants of Zaporozh'ye will receive more than 25,000 new apartments, and housing conditions will greatly improve for around 40,000 families. [Kiev PRAVDA UKRAINY in Russian 21 Oct 79 p 4] 2959

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